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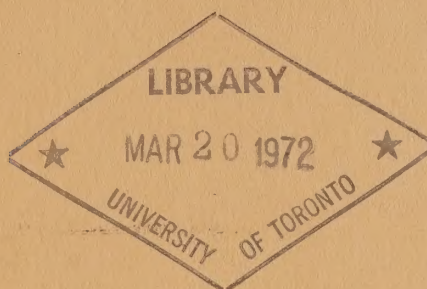
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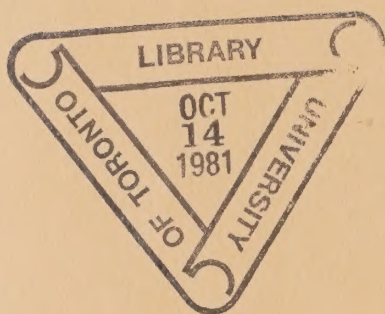
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Canada
**Annual Report of the
Department of Industry, Trade and Commerce**

April 1, 1970 to March 31, 1971





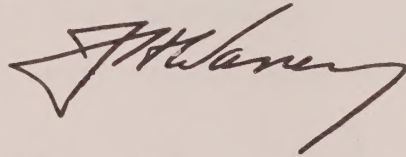
OTTAWA, January 31, 1972

The Honourable Jean-Luc Pepin
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual report of
the Department of Industry, Trade and Commerce, covering
activities during the period April 1, 1970 to March 31, 1971.

Respectfully submitted

A handwritten signature in dark ink, appearing to read 'J.H. Warren', with a stylized, sweeping flourish at the end.

J.H. Warren
Deputy Minister

OTTAWA, January 31, 1972

To His Excellency
The Right Honourable Roland Michener, C.C.
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency
the annual report for the Department of Industry, Trade and
Commerce covering the period April 1, 1970 to March 31, 1971.

A summary of the Department's policies, activities
and services rendered is laid before Your Excellency.

Respectfully submitted

A handwritten signature in dark ink, reading "Jean-Luc Pepin". The signature is written in a cursive, flowing style with a long, sweeping underline.

Jean-Luc Pepin
Minister of Industry,
Trade and Commerce

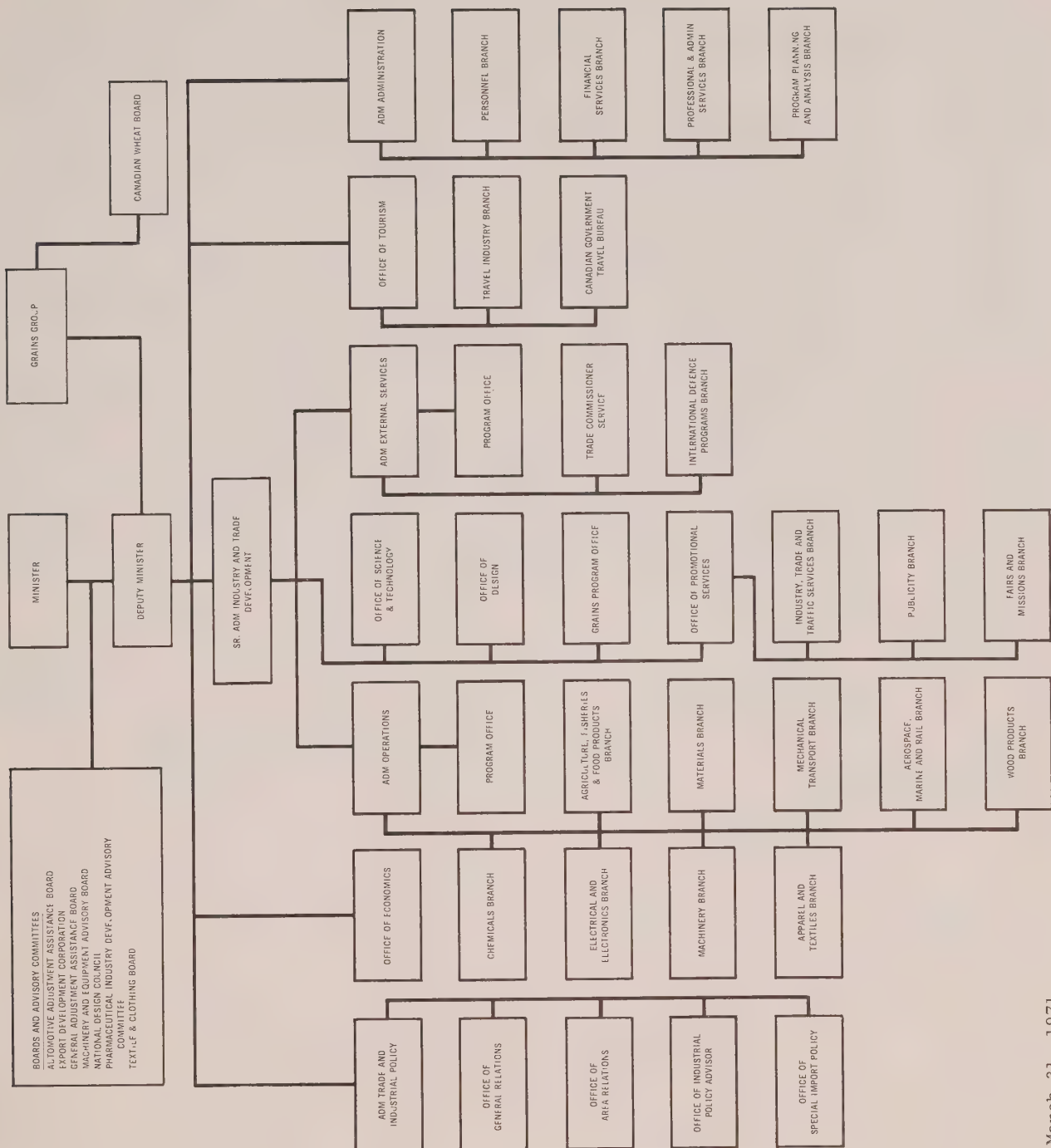
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ORGANIZATION CHART



March 31, 1971

STATEMENT OF EXPENDITURES

Trade Industrial Program

Vote		1970-71
1	Operating expenditures	\$38,246,667
5	Grants and Contributions	75,424,151
Statutory	Minister of Industry, Trade and Commerce - Salary and motor car allowance	17,000
Statutory	Pensions to former locally-engaged employees of Offices Abroad	641
Statutory	General incentives to Industry for the expansion of scientific research and development in Canada	30,114,279
	Loans to assist manufacturers of automotive products in Canada	11,041,858
	Loans to assist Canadian defence industry with plant modernization	6,666,800
	Loans to assist the pharmaceutical industry in the manufacture and marketing of lower-priced prescription drugs	65,430

Tourism Program

20	Operating expenditures	11,160,976
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World Exhibitions Program

25	Program expenditures	2,947,906
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Grains Program

Statutory	Payment of carrying costs of temporary wheat reserves	23,649,837
Statutory	Payments in connection with the Prairie Grain Advance Payments Act	11,614,203
Statutory	Payments in accordance with the Prairie Grain Provisional Payments Act	62,658
22a 23c 36b	Deficit on Pool Accounts	18,294,861

STATEMENT OF REVENUE

Return on investments

Interest on loans to Export Development Corporation	\$13,893,293
Interest on loans to assist manufacturers of automotive products	2,361,442
Sundry	122,018

Privileges, licences and permits

59,716

Refunds of previous year's expenditures

Royalties re Otter aircraft	119,340
Repayments re PAIT	370,529
Return of Assistance Vote Contributions	1,576,246
Sundry	200,544

Miscellaneous

Export Development Corporation excess of premiums over amount required to meet expenses	149,857
Sundry	101,438

September 15, 1971.

INTRODUCTION

One of the three basic national aims set by the Canadian Government specifies that Canada and all Canadians will enjoy enlarging prosperity in the widest possible sense.

Realization of this goal requires a sound economy and steady economic growth and the Department of Industry, Trade and Commerce, created by the Government two years ago, has a vital role to play.

"Promote the establishment, growth and efficiency of manufacturing, processing and tourist industries in Canada, contribute to sound development and productivity generally and foster the expansion of Canadian trade," was the mandate given the Department.

During the April 1, 1970 to March 31, 1971 fiscal year, the new Department was functioning smoothly and steady progress was being made toward fulfilling the Department's industrial and trade objectives at home and abroad.

The Department's wide-ranging terms of reference took it into many fields, from Expo '70 in Osaka, Japan, a category 1 world exhibition, to Fashion/Canada, a cross-country fashion design assistance program. Canadian industry was helped to develop new products, make more use of available resources and promote products on world markets. Through the Department's tourism programs, visitors were attracted to Canada and Canadians themselves discovered in increasing numbers the wealth of beauty, history and recreational facilities in this country.

This report does not attempt to describe all the projects the Department was engaged in during the year. It highlights only the main initiatives and major programs undertaken on behalf of the Canadian business community.

This basically is the Department's Industry and Trade Development Program, established to achieve efficient and continued growth in Canadian production of goods and services. There are four activities which relate to the objective: product innovation, production efficiency, domestic-international environment and market development. The report is discussed under these activity headings along with the other major programs: tourism, world exhibitions and grains.

PRODUCT INNOVATION

Industrial research and the development of new products and processes are obviously key elements in maintaining industrial growth in an advanced country. The majority of goods being manufactured in Canada today were unknown at the turn of the century, just as thousands of products which will be on the marketplace in the year 2000 do not exist today. In this age of rapid technological change in the world, long-term economic growth depends largely on today's innovation.

The Department's Product Innovation activity seeks to stimulate a continuing flow of new and improved products, processes and services. To achieve this it:

Formulates and administers incentive programs designed to stimulate technological innovation;

Establishes research institutes and centres;

Provides industry with specialized advice and information on techniques and scientific developments.

The Department also chairs and provides the Secretariat for the federal government's Interdepartmental Committee on Innovation, which met for the first time in December, 1969. The function of the Committee is to assess and recommend government policies and programs aimed at stimulating industrial research and development.

Incentive Programs: The Industrial Research and Development Incentives Act (IRDIA) authorized 900 grants amounting to \$30.1 million during fiscal year 1970-71 compared with 638 grants valued at \$23.1 million in 1969-70. IRDIA enables Canadian corporations to apply to the Department for cash grants or credits against their federal income tax liabilities amounting to 25 per cent of:

All their capital expenditures in Canada, excluding purchase of land, for scientific research and development;

Increase in current expenditure in Canada for scientific research and development over the average of such expenses during the five preceding years.

The IRDIA program was improved through a series of amendments to the Act in 1970. The Department also introduced a system of partial payments

of grants, enabling companies in certain circumstances to receive the benefits under IRDIA sooner without tying up their own funds.

Another program to help Canadian industry grow and become more efficient is the Program for the Advancement of Industrial Technology (PAIT) which supported 141 projects in 1970-71 with a contribution of \$50.7 million-- a 400 per cent increase from the previous fiscal year. PAIT was revised in 1970 to provide assistance in the form of cash grants instead of repayable loans. Generally, such grants equal 50 per cent of the current costs of development projects, including certain pre-production costs of a non-recurring nature and costs incurred for pilot plants and special purpose equipment.

The Defence Industry Productivity program seeks to enhance the technological competence of the Canadian defence industry so that it may compete more effectively for export sales. Through DIP the Department shares specified costs of selected industry projects. In 1970-71 the Department provided \$45 million in support of 198 projects.

Industrial Design: Continuing improvement in industrial design is an important element of the innovation process. The National Design Council recommends policies and procedures on which the Department's programs are based.

The Industrial Design Assistance Program (IDAP) contributed \$357,600 last year to manufacturers interested in new or improved designs through use of qualified industrial design services.

In co-operation with provincial authorities, work continued throughout the year on plans to strengthen design training at all levels of the educational system and to establish criteria for courses in design management. Twenty-seven scholarships totalling \$73,000 were awarded for advanced studies in industrial design and a new award--the National Design Council Chairman's Award for Design Management--was introduced. Grants totalling \$105,000 were made to Carleton University, Ottawa, to help establish a degree course in industrial design and to the University of Manitoba and the University of Montreal for establishment of pilot courses in design management.

The Fashion Design Assistance Program, an important element in the federal government's new textile policy, has been operating since May, 1970, and aims at increasing the competitiveness of the Canadian clothing, textile, leather and footwear industries by stimulating creative design and improving quality.

Research Institutes and Centres: An Industrial Research Institutes scheme to help universities undertake research for industry on a contract basis will make possible the formation of two new institutes in 1971--at McGill University and at l'Ecole Polytechnique in Montreal. These arrangements assist in bringing the facilities of the academic community to bear on the needs and problems of industry in a mutually beneficial way. Such institutes are already in existence at the University of Windsor, McMaster University, University of Waterloo and the Nova Scotia Technical College. Grants from the Department cover costs of establishment and administration during the initial years of operation.

A related program, introduced last fiscal year, helps Canadian universities to establish centres for advanced technology. The first such centre--the Canadian Institute of Metalworking at McMaster University--began operating in October, 1970. A second opened in July, 1971 and a third will open before the end of the present fiscal year. The Department pays costs of equipment, materials and salaries of professional staff.

PRODUCTION EFFICIENCY

One of the major challenges facing Canadian manufacturers today is that of achieving the highest possible degree of production efficiency. Throughout the entire developed world, units are increasingly joining into larger economic groupings to achieve economies of scale in production.

Recognizing this, the Department established a program to help Canadian industry continually improve efficiency and successfully withstand foreign competition in the home market and increase exports.

To achieve this goal the Department:

Analyses supply and demand patterns in domestic and world markets;

Assesses effectiveness of production methods at home and abroad;

Provides specialized advice and information to industry;

Establishes incentive programs designed to help firms improve efficiency.

Research and Analyses: The industry sector branches and other units of the Department, often in conjunction with Canadian industry, carry out and sponsor a continuous program of research to determine the viability of opportunities in different industry sectors and to gauge their competitive potential regionally and internationally. The principal objective of this work is to improve the production efficiency of Canadian industry.

Research conducted during the past year included a general study into the causes and variations in productivity with particular reference to wages, prices, capacity utilization and specialization. Specific studies were also undertaken on such diverse industry sectors as ship-building, meat, cheese, bakery and confectionery industries; heavy electrical, air navigation, computer and major consumer appliance products; various sectors of the Canadian machinery industry, as well as a comprehensive statistical and economic analysis of book publishing in Canada.

Incentive Programs: Among the Department's responsibilities is assistance to manufacturing and processing industries to help them exploit opportunities provided by technology and changing conditions in domestic and foreign markets. To achieve this, the Department has incentive programs designed to stimulate greater product research, development and innovation.

The Adjustment Assistance Board, which administers the Automotive

Adjustment Assistance Program (AAA) authorized 10 loans totalling \$8.1 million and recommended tariff remissions on applications totalling \$630,000 in 1970-71.

The AAA program provides direct loans to Canadian companies producing parts and equipment for the auto industry. It also permits producers of automotive parts to receive remission of up to 99 per cent of the duty on imported production machinery and equipment not available from Canadian sources or not in a position to be delivered to meet production schedules.

The Canadian Construction Information System--a means of storing, retrieving and disseminating data vital to the construction industry--was installed on a trial basis in major Canadian centres as part of the Building Equipment, Accessories and Materials Program (BEAM). The Department also published a directory of Canadian construction terminology to facilitate its implementation.

The BEAM program aims at increasing productivity and efficiency in the manufacture and use of building equipment and materials through the use of a systems approach.

Several clinics were held during the year to demonstrate the advantages of modular co-ordination. The Directory of Modular Building Components was expanded and updated. Results of a study on the Canadian mobile home industry were published along with the proceedings of a series of conferences on A Systems Approach to Building.

The General Adjustment Assistance Program (GAAP) was designed to help Canadian manufacturers take advantage of opportunities arising from the Kennedy Round and to assist manufacturers of textile goods, clothing and footwear to improve their competitive position in domestic and export markets. It also provides assistance to manufacturers adversely affected by Kennedy Round reductions of Canadian tariffs and to textile goods, clothing and footwear manufacturers threatened by disruptive import competition.

By remitting the duty otherwise payable on Tariff Item 42700-1, the Machinery Program (MACH) allows Canadian machinery users to acquire, at the lowest possible cost, capital equipment not available from Canadian sources. At the same time, it enables Canadian machinery producers to derive maximum incentive and encouragement from the tariff by extending duty protection once they are in a position to supply. During 1970-71, some 16,000 applications were processed and total duty remissions amounted to \$75 million.

The Program to Enhance Productivity (PEP), introduced late in the year, encourages firms to undertake studies of the feasibility of significant and imaginative projects likely to improve productivity. At its first meeting, in March, 1971, the PEP Advisory Committee recommended that \$52,450 be contributed in support of three feasibility studies. PEP provides grants to a maximum of \$50,000 to support up to half the approved costs of such studies.

Another program, the Pharmaceutical Industry Development Assistance

Program (PIPA), is designed to improve the production efficiency of Canadian pharmaceutical firms and make them more competitive in foreign and domestic markets. Under the program, the Department provides loans for expansion, acquisition or restructuring operations and grants for feasibility studies. Loans totalling \$508,000 were approved in the last fiscal year.

Departmental programs designed to assist Canada's shipbuilding industry resulted in contracts amounting to \$225 million by the end of the last fiscal year. Contracts worth \$125 million have been signed since the plan was introduced in 1966 to pay subsidies toward the cost of ships built in Canada for Canadian owners. This has been done under the Ship Construction Subsidy Regulations. The rate of subsidy was 25 per cent at introduction, dropping to 17 per cent by 1973. A new Shipbuilding Temporary Assistance Program, introduced in November, 1970, yielded contracts worth \$110 million by March, 1971. It provided grants of 17 per cent of approved costs (14 per cent for very large vessels) of building ships destined to be registered outside Canada.

DOMESTIC/INTERNATIONAL ENVIRONMENT

Canadian processors and manufacturers are affected by a variety of business factors beyond their direct control but nevertheless vital to their growth potential. Domestically, such matters as competition policy, taxation policy and import policy affect the direction and rate of industrial development. Internationally, all trade barriers, whether tariff or non-tariff, control to a major degree the access for Canadian products to other countries.

While these environmental factors are managed in large part by other governmental agencies in Canada and by foreign governments and bodies, the Department has a responsibility to draw attention to their impact on Canadian industrial and trade developments and to recommend policies and procedures beneficial to Canadian interests.

INTERNATIONAL ENVIRONMENT

In the field of commodity trade policy, a new International Wheat Agreement was negotiated during January and February 1971 to replace the present International Grains Arrangement. Major wheat exporters and importers (including the U.S.S.R. and the EEC) will be parties to the new Agreement which came into force on July 1, 1971 for a period of three years. The Fourth International Tin Agreement was negotiated during the year and took effect July 1, 1971 for a period of five years. At Canadian initiative, international consultations were started between sulphur producing and trading countries. These consultations were designed to exchange views on the current situation and the longer term world supply and demand trends for sulphur. The Department also participated during the year in consultations relating to commodities covered by international agreements and others on energy, sugar, coffee, lead and zinc. In formulating policy on a range of commodity trade issues, close consultation was maintained with particular sectors of the business community.

The Department was involved in a wide range of trade policy activities in international organizations during the year. Consultations on the General Preference Scheme in the Organization for Economic Co-operation

and Development, United Nations Conference on Trade and Development and the General Agreement on Tariffs and Trade paved the way for implementation at an early date of preferences designed to improve the trade prospects of developing countries. There were also consultations in the OECD on other specific ways to improve assistance to developing countries, such as the untying of bilateral aid programs. Progress was also made under OECD auspices to provide for the exchange of information on the terms and conditions on which other countries would be prepared to provide export credits, and discussions were continued on government procurement practices. Consultations were held late in 1970 with the Secretary General of UNCTAD with a view to setting in motion preparations for the Third United Nations Conference on Trade and Development (UNCTAD III) which is to be held in April, 1972. In consultation with Canadian industry an assessment of Canadian interest in joining several international temporary entry customs conventions under the auspices of the Customs Co-operation Council, Brussels and the Economic Commission for Europe was brought near completion during the year. These conventions are designed to improve, safeguard or facilitate export access for the types of products covered by the conventions.

The Department maintained close contact with the Canadian International Development Agency (CIDA) on Canada's bilateral aid programs and steps were taken to ensure the fullest opportunity for Canadian participation in projects financed by development assistance organizations such as the World Bank Group, the United Nations Development Program and the Regional Development Banks. An amendment to the Export Development Act,

administered by the Export Development Corporation which reports to Parliament through the Minister of Industry, Trade and Commerce, increased the ceiling for long-term loans from \$800 million to \$1,300 million and tripled the ceiling for foreign investment insurance to \$150 million.

During the year, Canada established diplomatic relations with the People's Republic of China and a commercial office is now part of the Canadian Embassy there. Trade negotiations were begun with Australia, New Zealand, Romania, Bulgaria and Algeria to initiate, renew and/or improve trade agreements.

As Britain and other applicants moved closer to membership in the EEC, the implications for Canada and world trade of an enlarged European Community were discussed at the ministerial level with Britain, France, Belgium and The Netherlands. In a meeting of the Joint Canada--United States Committee on Trade and Economic Affairs, Canadian Ministers discussed a variety of trade problems and prospects with members of the United States Government.

DOMESTIC ENVIRONMENT

In Canada, the Office of Special Import Policy was created in May, 1970 to study the impact of low-priced imports on Canadian producers of the same or similar products and to recommend procedures to prevent serious injury to Canadian industries. Negotiations were opened with 20 countries to secure export restraint agreements covering 17 items, chiefly textiles, clothing and electronic receiving tubes. The Shirt Surtax Order of June 2, 1970, which was

extended by Parliament until November 29, 1971, was enacted to cope with shirt imports outside the existing restraint arrangements.

In 1970-71, the Department began developing measures required to implement the new textile policy, including establishment of the Textile and Clothing Board, and undertook a study to assess the impact on Canadian industry of concessional export financing provided by other countries, while measures were developed to mitigate injurious effects.

The Department also participated in studies of a number of industry sectors including petrochemicals, rubber, copper and railway rolling stock, and in reviews of policy in areas of direct concern to Canadian industry including competition policy, taxation, packaging and labelling regulations and environmental protection measures.

MARKET DEVELOPMENT

The Canadian economy, always dependent to a large degree on export trade, is becoming increasingly so, particularly in the important manufacturing sector. Some 20 per cent of Canada's Gross National Product is exported, compared with four per cent in the United States. In 1970-71, domestic exports reached a record \$16.6 billion, of which some \$6.2 billion represented sales of fully manufactured goods. This represented over 35 per cent of total exports, compared with only 17 per cent just six years ago.

Through its market development activity the Department assists

industry to exploit trade opportunities wherever they exist. Market development services include:

Analyses of international trade trends and studies of new opportunities for Canadian exporters;

Continuing day-to-day assistance to exporters through the Department's offices abroad and in Canada;

Direct promotional support in the form of trade fair participation, trade missions, visiting buyers program, in-store promotions and export publicity programs.

Field Services: The Trade Commissioner Service, which is the Department's field force abroad, provides service to exporters seeking new markets or new technology as well as advising the Department on matters of trade policy and market access. During the year the service opened seven new offices in response to expanded opportunities in new markets. By year-end there were 206 trade officers stationed in 55 countries abroad. In Canada the Department opened a new regional office in Fredericton. It now has a network of eight regional offices across the country serving the needs of Canadian manufacturers and exporters.

Promotional Programs: During the year the Department organized participation in 52 international trade fairs throughout the world. Five hundred and fifty Canadian companies participated in these events. These fairs were held in many U.S. cities, in Eastern and Western Europe, in Japan and Latin America.

Canadian businessmen participated in two outgoing trade missions while 32 foreign businessmen and government officers visited Canada in five incoming missions. The Department also organized the visits of 14 delegations to Canada and 493 buyers were introduced to Canadian products under the program for sponsorship of individual visits by specific trade delegates.

Two major promotions of Canadian consumer products were organized, one in Macy's stores in New York City, the other in the Keio department store in Tokyo.

A continuing program of export publicity was undertaken to better acquaint potential foreign buyers with Canadian capabilities and products and to generate direct sales prospects for Canadian firms. The Department's export promotion newspaper, Canada Courier, which gives international buyers exposure to exportable Canadian goods and services, augmented its four languages with a Japanese edition. Total enquiries generated during the year numbered more than 5,000. Some 22 export promotion directories and catalogues promoting various sectors of Canadian industry were produced and distributed abroad. Foreign Trade and Commerce extérieur, the Department's magazines of market information for Canadian businessmen, were enlarged during the year to reflect an expanded editorial approach.

Ignny Housing Project: Following French acceptance of Canadian building practices and standards, a 114-unit housing project, sponsored by the Department and constructed in France by a Franco-Canadian company,

demonstrated the advantages of wood frame construction in this market. The project attracted wide attention among government officials and builders from many parts of Europe and is expected to help expand the entire European market for Canadian building products and building systems.

Fashion/Canada: The Fashion/Canada program was established to assist the Canadian apparel industry by encouraging improved styling and design for Canadian manufacturers of apparel and accessories. In the export field, promotional pressure was continued for Canadian apparel and textiles through trade shows in the U.S. and Europe. Total exports of textiles and clothing increased by 12.1 per cent to \$210 million.

Machinery and Engineering Services: The Department was active in assisting Canadian machinery manufacturers, consultants and engineers in developing sales throughout the world particularly in developing countries, playing an important part in the sale of two large hydraulic turbines to Brazil, two gas turbine generators to Mexico and in large sales of thermal power generating equipment to Israel. In the pulp and paper sector, contracts with Argentina and Indonesia were signed and negotiations were started for the sale of pulp equipment to Eastern Europe. Canadian companies won major engineering contracts for wind tunnels, a silicon strip steel mill, road building and technical training, pulp and paper mills, saw mills, an asbestos processing plant and aerial surveys.

Mechanical Transport: Major promotional efforts were made in the U.S.

on the expansion of markets for forest harvesting equipment, quarry-type dump trucks and large logging trucks. A special drive for the sale of agricultural implements was also promoted by the Department. Special effort was also made by the Department in helping Canadian firms in West and East Africa, Iran and the Far East.

Defence Products: Canada co-operates with its allies in defence planning through research, development, production and sharing programs co-ordinated by the Department through its International Defence Programs Branch and its offices in the U.S. and overseas. Canadian defence products sold abroad often have civilian applications too and represent advanced technology in the fields of communications, navigation and transportation.

Market Studies: During the year, a number of market studies were carried out in a wide range of industry sectors to assist Canadian industry in assessing potential for greater sales. Prominent among these were: a survey of producers of aircraft support equipment; a world power systems survey on behalf of Canadian producers of electrical power generation and transmission equipment; a survey of world demand for airport equipment, and a similar world market review for the asbestos industry.

Data on potash markets in developing countries was compiled and discussions were started with Canadian potash producers to co-ordinate a program for penetration of additional markets.

A study on the marketing of Canadian hardwood furniture components in

the U.S. was commissioned by the Department. A report on the Canadian book industry and a comprehensive and statistical analysis of book publishing were also completed.

Initiatives in the EEC: Final preparations were made for the signing of a science and technological agreement with Germany and a major Ministerial mission was organized for April, 1971. The objectives of the mission and associated projects were: to increase interest in manufactured goods and services; to examine ways and means of improving access for Canadian goods in Germany; to improve the prospects for increased exports to all countries of the EEC, and to encourage German interest in industrial development opportunities in Canada.

TOURISM

Development of tourism in Canada is big business. The industry represents an important source of foreign revenue--in 1970-71, a record 37.6 million foreign visitors spent an estimated \$1.2 billion in Canada--and employs an estimated 780,000 Canadians.

The marketing arm of the Department's tourism program is the Canadian Government Travel Bureau which maintains a network of 24 travel offices in the U.S. and seven other countries. Last year a budget of some \$11.2 million was committed to three distinct marketing programs: a) to promote travel from the U.S. b) to promote travel from the rest of the world c) to promote travel within Canada. About 80 per cent of the promotional effort was directed towards the U.S., 15 per cent to overseas markets and the remaining five per cent within this country.

In 1970-71 the Department produced and distributed more than 20 million copies of 50 publications in 13 languages. Full use was made of some 20,000 prints of 113 travel films produced for the most part by provincial and private interests and distributed through the Travel Bureau facilities. Through the Canadian Travel Film Library, more than 21 million viewers were reached through direct screenings as well as an estimated 215 million through television.

Almost 200 internationally known writers, lecturers and TV producers were brought to Canada as part of the Department's tourism publicity program.

Advertising programs using electronic and print media accounted for \$3.5 million of the Department's budget. A major innovation was the extension of TV coverage to fourteen U.S. urban areas in a campaign featuring 20 and 30 second commercials. To help promote package tours from the U.S., travel agents, tour operators and wholesalers were offered advertising support under a new co-operative program developed last year. A direct mail program aimed at prospectives in the U.S. generated some 995,000 enquiries. In all, the promotion and publicity programs created 2.4 million travel enquiries reaching some seven million prospective visitors.

Closer relationships were developed during the year with the travel trade, carrier representatives, auto clubs, travel agents and tour operators. Convention promotion was encouraged, special package tours were offered and 300 representatives of the travel trade were brought to

Canada on familiarization tours to learn at first hand the attractions and facilities this country offers.

In addition to travel by foreign visitors, it is estimated that travel in Canada by Canadians represents a \$3 billion annual industry.

If the Canadian tourist industry is to develop in a pattern of steady growth, it is important that we know as much as possible about travel habits of Canadians and ensure that our country has adequate accommodation, restaurant, recreational and other facilities available to accommodate such growth. Therefore, work began in March on the Canadian Travel Survey, 1971--the largest single travel/tourism research project ever undertaken in this country. Some 12,500 randomly selected Canadian households will be contacted four times with regard to their travelling habits. Data revealing travel patterns and expenditures of Canadians should be of special importance in establishing the economic value of the industry.

To learn more about the capital requirements of the accommodation sector of the travel industry, a mail questionnaire survey of 22,000 hotels, motels, lodges and camping establishments across Canada was conducted, followed by personal interviews with 1,000 operators of accommodation facilities.

CANADIAN GOVERNMENT PARTICIPATION IN EXPO '70

One of the most exciting and successful projects undertaken by the Department last year was participation in Expo '70, Osaka, Japan, March 15 to September 13, 1970.

Canada was the first country to sign a participation contract and led the way in all phases of pavilion construction, winning first prize in a special contest sponsored by the Architectural Institute of Japan. Erickson/Massey of Vancouver, designers of the Canadian pavilion, also won a Golden Triangle award from the National Society of Interior Designers of the United States and a Massey Award. Honours were also conferred on the Canadian Commissioner-General, representing all foreign participants.

The Canadian pavilion was a success with the Japanese public as well. The number of visitors to the Canadian pavilion--the first to receive its 20 millionth visitor--rose to 25 million before the exhibition closed in September.

Canada was honoured as the only country visited by His Imperial Majesty Emperor Hirohito on opening day. The Japanese Emperor headed a succession of VIP visitors including all members of the Imperial Family, Prime Minister Sato of Japan, Prince Charles, President Svoboda of Czechoslovakia, astronauts, cosmonauts and heads of state or official representatives of more than 50 nations. Many of Canada's provincial premiers, federal and provincial cabinet ministers, senators and MPs also visited the pavilion. Prior to Expo's opening a converted school --"Super Bus"--decked out in dazzling designs and manned by young Japanese-speaking Canadians, toured Japan for five months. By opening day Canada had received more coverage in Japanese media than all other participants combined and this momentum carried through the entire exhibition. The public relations staff abandoned counting news mentions when the known total reached 100,000 in early May.

A high point of the Canadian participation was Canada Day on May 27, opened and presided over by Prime Minister Trudeau. This entailed a full day of activities in the Festival Plaza (the opening attended by a record 15,000 persons), the Canadian pavilion and other points throughout the fair grounds. It was considered the most successful and ambitious of all the national day programs.

Prior to Expo '70, Canada was virtually unknown to the average Japanese, but by the end of the fair, it was one of the best known nations. As a result, the people of Japan have gained a growing awareness of Canada's vastness, its people, potential and products.

Public opinion polls named Canada's contribution to the world fair as one of the three most popular. Its emphasis on youth enthralled Japan's young people and magazine surveys confirmed that the young set chose Canada's "Young Pavilion" as their favourite.

WINDING UP THE AFFAIRS OF THE CANADIAN CORPORATION FOR EXPO '67

Under provision of the Expo Winding-Up Act, steady progress was made towards completing the actions required to discharge the outstanding liabilities of the former Canadian Corporation for the 1967 World Exhibition and to secure its assets as provided by the Act.

All accounts receivable, which were recorded in the books of the Corporation at the date of its dissolution, were collected and the proceeds, amounting to \$8,132, were deposited in the suspense account established to facilitate the necessary financial transactions.

There was, at the beginning of the fiscal year, an estimated \$83,602 for excess insurance premiums due from the Corporation's insurers. A total of \$50,000 was collected from the companies and deposited in the suspense account. When all claims are settled and an accurate calculation of the companies' liabilities under the contract can be established, a final settlement will be made. These collections plus the proceeds from the Corporation's bank and cash balances of \$102,291 totalled \$164,092. Liabilities, represented by outstanding accounts and claims, were discharged in 12 cases for a total of \$126,846.

GRAINS PROGRAM

The Department, through its Grain Division, collaborates closely with the many agencies and organizations in Canada involved in the production and marketing of grain to promote orderly production and sales.

During the year, payments of interest charges on cash advances to grain producers in Western Canada under the Prairie Grain Advance Payments Act amounted to \$11,614,203.

The return from the sale of wheat delivered by western producers during 1968-69 did not equal the Government guaranteed initial payments and a deficit of \$40,272,789 was incurred. A total of \$22,227,677 was paid to the Canadian Wheat Board during the 1969-70 fiscal year and the balance of \$18,045,112 during 1970-71.

The Government's revised and expanded credit program for grain made a major contribution to increased sales of wheat and barley. There were

also larger shipments of wheat and flour under Canada's food aid programs. Exports of Canadian grains were at a record level.

APPENDICES

Appendix "A"

HEAD OFFICE DIRECTORY (ON MARCH 31, 1971)

Head Office, Tower "B", Place de Ville,
112 Kent Street, Ottawa, Ontario

MINISTER'S OFFICE

Minister of Industry, Trade and Commerce: The Hon. Jean-Luc Pepin

Executive Assistant: Paul Labbé

Admin. Assistant: C.R.D. Kelly

Minister's Advisory Council: A/Executive Secretary: M.K. Paumann

Minister Responsible for the Canadian Wheat Board:

The Hon. Otto E. Lang

Grains Group

Co-ordinator: R.M. Bryden

Marketing: R.M.E. Esdale

Production: W.E. Jarvis

Transportation: R.J. Shepp

Liaison Canada

Grains Council: C.F. Wilson

Executive Secretary: N.A. O'Connell

Machinery & Equipment Advisory Board: Secretary of the Board:

W.H. Chandler

Textile & Clothing Board: Chairman: Dr. C.A. Annis

DEPUTY MINISTER'S OFFICE

Deputy Minister: J.H. Warren

Executive Assistant: A.A. Lomas

Senior Assistant Deputy Minister (Industry and Trade Development):
Andrew G. Kniewasser

Executive Assistant: Gilles Morin
Special Assistant:

Assistant Deputy Minister (Trade and Industrial Policy): Maurice
Schwarzmann

Executive Assistant: R.A. Kilpatrick

Assistant Deputy Minister (Operations): Robson G. Head

Executive Assistant: J.L. de Lorimier

Assistant Deputy Minister (External Services): T.M. Burns

Executive Assistant: R.E. Wright

Assistant Deputy Minister (Administration): A. Senecal

Office of Economics: General Director: V.J. Macklin

Office of Tourism: General Director: T.R.G. Fletcher

INDUSTRY AND TRADE DEVELOPMENT

Senior Assistant Deputy Minister: Andrew G. Kniewasser

Executive Assistant: Gilles Morin
Special Assistant:

GRAINS PROGRAM OFFICE

Acting Chief: W.J. O'Connor

OFFICE OF SCIENCE AND TECHNOLOGY

General Director: Sydney Wagner

Special Assistant: M.R.M. Dale

Director (Policy): H.C. Douglas

Director (Scientific): R.K. Brown

Innovation Planning and Evaluation: Chief: D.H.E. Cross

OFFICE OF DESIGN

Acting General Director: J.H. Swann

OFFICE OF PROMOTIONAL SERVICES

General Director: L.J. Rodger

Special Assistant: R.B. Fournier

World Exhibitions Liaison: G.P. O'Keefe

PUBLICITY BRANCH

Director: J.A. Murphy

Deputy Director: K.A. Prittie

Canadian Division: Chief: B.T. McLaughlin

News Services: Manager: R.M. Shaw

French Language Editorial Services: Manager: C. Bruyère

Production Planning Division: Chief: R. Dagenais

Distribution: Mrs. M. Gougeon

International Division: Chief: K.V.D. Gardner

Acting Managing Editor Periodicals: R.T. Waugh

"Canada Courier" Division: Chief: Mrs. A. Armstrong

"Foreign Trade" Division: Chief: Miss O.M. Hill

Graphics Division: Chief: R.H. Williamson

Special Publications Division: Chief: J.K. Purvis

INDUSTRY, TRADE AND TRAFFIC SERVICES BRANCH

Director: G.M. Schuthe

Deputy Director: C. Varkaris

Export and Import Permits Division: Chief: S.G. Barkley

Industrial Traffic Services Division: Chief: H.A. Hadskis

Import Analysis Division: Chief: J.G. MacKinnon

Industrial and Trade Enquiries Division: Chief: K.E. Hacker

Directories Section: J.Y. LaFlèche

FAIRS AND MISSIONS BRANCH

Director: D.A.W. Olliver

Planning and Programming: C.P. McPherson

Western Hemisphere Division: W.P. Schutte

Eastern Hemisphere Division: R.S. Long

Special Projects Section: B. Choquette

EXTERNAL SERVICES

Assistant Deputy Minister: T.M. Burns

Executive Assistant: R.E. Wright

Market Planning: J. W. Webber

E. G. Eeles

Market Development Group: B.C. Steers

PROGRAM OFFICE--EXTERNAL SERVICES

Defence Industry Productivity Program: Chief: J.C.E. Mitchell

Industry Modernization for Defence Exports Projects: Manager:
L.A. Lynch

TRADE COMMISSIONER SERVICE

General Director: H.M. Maddick

Director: W.J. Collett

Finance and Administration: Director: N.W. Boyd

Personnel: Acting Director: R.G. Woolham

Operations and Development: Acting Director: R.M. Dawson

Regional Co-ordinators

Africa and Middle East: R.B. Blake

Asia and Oceania: R.W. Burchill

Europe "A": D.S. McCracken

Europe "B": J.B. McLaren

Latin America & Caribbean: D.I. Ditto

United States: J.E.G. Gibson

INTERNATIONAL DEFENCE PROGRAMS BRANCH

General Director: D.H. Gilchrist

Director: D.J. Janigan

U.S. Market Development Division: Chief: W.E. Grant

Overseas Market Development Division: Chief: F.J. McNaughton

Project Marketing Division: Chief: F. Dugal

Market Research and Analysis Division: Chief: P.C. Boire

OPERATIONS

Assistant Deputy Minister: Robson G. Head

Executive Assistant: J.L. de Lorimier

PROGRAMS OFFICE--OPERATIONS

Director: G.S. Conger

General Adjustment Assistance Program: Chief: P.E. Quinn

IRDIA Program: Chief: D.A. Kellough

PAIT, IDAP and PEP Programs: Chief: W.R. Graham

AEROSPACE, MARINE AND RAIL BRANCH

General Director: J.C. Rutledge

Industry and Trade Development Programs

Director: G.E. Hughes-Adams

Air: Chief: J.L. Harrison

Marine: Chief: M.J. Colpitts

Rail and Propulsion: Chief: E.P. Bishop

Company and Support Programs

Director: H.R. Foottit

Aircraft: Chief: H.A. Staneland

Propulsion, Marine and Rail: Chief: H. Roberts

Ship Subsidies: Chief: H.K. McIntosh

AGRICULTURE, FISHERIES AND FOOD PRODUCTS BRANCH

General Director: M.J. Heney

Acting Director: A.J. Stanton

Livestock, Meat and Dairy Products Division: Chief:
L.H. McMillan

Cereals, Bakery and Edible Oils Division: Acting Chief: H.T.
Armstrong

Fruit, Vegetables and Special Crops Division: Acting
Chief: S.B. McKenna

Fisheries and Fish Products Division: Chief: A.J.
Hemming

International Commodities Division: D.H. Burns, H.E.
Ryan

Programs Division: Chief: W.R. Parkinson

APPAREL AND TEXTILES BRANCH

General Director: A.M. Guerin

Director: L.C. Howey

Fashion Co-ordination: Mrs. D.E.L. Taylor

Programs Division: Head: M. Hersh

Clothing Division: Chief: H. Sherman

Textiles Division: Acting Chief: M. Chapleau

Leather and Footwear Division: Chief: G.A. Dubois

Policy Support Section: Head: N.E. Walker

CHEMICALS BRANCH

General Director: J.J. Tennier

Director: A.M. Tedford

Industrial Chemicals Division: Chief: G.E. McCormack

Plastics and Rubber Division: Chief: A.G. Pinard
Chemical Specialties Division: Chief: Dr. H.A. Showalter
Tourist, Hospital and Education Division: Chief:
G.W.J. Rahm
Programs Division: Assistant Director: W.D. Dawson

ELECTRICAL AND ELECTRONICS BRANCH

General Director: E.A. Booth
Industry & Trade Development: Director: T.C. Jones
Electrical Division: Chief: V.E. Tant
Electronics Division: Chief: C.D. Quarterman
Consumer Products & Components Division: Chief: P.U.
Aasgaard
Special Projects Division: Chief: R. Sangster
Company Development Programs: Director: G.R. Logan
Division I: Chief: A.G. Carr
Division II: Chief: J.R. Mercier
Division III: Chief: R.J. Burns

MACHINERY BRANCH

General Director: J.J. McKennirey
Acting General Director and Secretary, Machinery Equipment
Advisory Board: W.H. Chandler
Director: J.C. Stavert
Mechanical Products Division: Chief: J.H. O'Connell
Mechanical Equipment Division: Chief: A. Chipertzak
Industry Machines and Engineering Services Division:
Chief: R.C. Wallace
Machinery Program Analysis Division: Chief: S.A. Radley

General Programs Division: R.K. McGregor

MEAB Secretariat: R.J. Billard

General Analysis and Development: J.P. Reny

MATERIALS BRANCH

General Director: R.D. Hindson

Special Assistant: H.W. Pfeffer

Director:

Iron and Steel Division: Chief: D.G. Laplante

Non-Ferrous Metals Division: Chief: S.H. Rochester

Industrial Minerals Division: Chief: R.J. Jones

Construction Division: Chief: J.A. Dawson

Programs Division: Chief: H.E. Wilson

MECHANICAL TRANSPORT BRANCH

General Director: C.D. Arthur

Director: T.C. Arnold

Special Projects: K.R. Burgess

Automotive Programs Division: Chief: D.P.W. Wood

Asst. Chief: O.V. Lonmo

Automotive Industries Division: Asst. Chief: W.J. Patrick

Adjustment Assistance Board Secretariat: Acting Secretary: F. Wanko

Agricultural, Construction and Special Vehicles Division:

Chief: D.W.C. McEwan

Asst. Chief: D.M. Izzard

Technological Assistance Division: Chief: R.F. Linden

Asst. Chief: I.G. Lochhead

WOOD PRODUCTS BRANCH

General Director: J.R. Midwinter

Director: E.J. Ward

Pulp and Paper Division: Chief: G.C. Campbell

Lumber, Plywood and Panel Products Division: Chief: E.W. Smith

Furniture and Secondary Wood Products Division: Chief: M.N. Murphy

Programs Division: Chief: R.H. McGee

Printing, Publishing and Allied Industries Division: Chief: G.E. Pallant

TRADE AND INDUSTRIAL POLICY

Assistant Deputy Minister: Maurice Schwarzmann

Executive Assistant: R.A. Kilpatrick

OFFICE OF AREA RELATIONS

General Director: R.E. Latimer

Policy Planning Division: Director: J.H. Stone

WESTERN HEMISPHERE AFFAIRS BRANCH

Director: G.W. Green

United States Division: Chief: C.J. Kelly

Latin America Division: Chief: N.R. Cumming

Caribbean Division:

EUROPEAN AFFAIRS BRANCH

Director: A.W.A. Lane

Britain Division: G.R. Gough

EEC Enlargement Task Force: Chief: G. Elliott

Western Europe Division: Chief: B.S. Shapiro
Eastern Europe Division: Chief: R.F. Turcotte

PACIFIC, ASIA, AFRICA AFFAIRS BRANCH

Director: F.R. Petrie

Pacific Division: Chief: J.L. MacNeil

Asia Division: Chief: J.B. O'Neill

Africa Division: Chief: C.L. Bland

OFFICE OF GENERAL RELATIONS

General Director: M.G. Clark

GENERAL TRADE POLICY BRANCH

Director: W.M. Miner

GATT Division: Chief: R.D. Gualtieri

UNCTAD-OECD Division: Chief: A.R. Porter

Special Trade Activities Division: Chief: A.L. Halliday

COMMODITY TRADE POLICY BRANCH

Acting Director: L. Houzer

International Resources Division: Acting Chief: G.R. Ritchie

Agriculture Division: Chief: E.W. Stewart

Commodity Agreements Division: Chief: E.W. Stewart

INTERNATIONAL FINANCING BRANCH

Director: A.R. Hollbach

Financial Institutions Division: Chief: A.R. MacMillan

International Development & Aid Division: Chief: R.
Campbell Smith

Commodity Financing Division: Acting Chief: G. Hazen

OFFICE OF INDUSTRIAL POLICY ADVISER

General Director: L.F. Drahotsky

Industrial Policy Division: Chief: J.M. Belanger

Programs Division: Chief: B.S. Barewal

OFFICE OF SPECIAL IMPORT POLICY

Special Adviser to the Assistant Deputy Minister (Trade and Industrial Policy): Campbell Stuart

ADMINISTRATION

Assistant Deputy Minister: A. Senecal

PERSONNEL BRANCH

General Director: E.J. Fitzpatrick

FINANCIAL SERVICES BRANCH

General Director: W.R. Teschke

Financial Analysis Director: J.G. Sheldrick

Comptroller: R.L. Gibbs

Financial Audit Director: J.J. Power

PROFESSIONAL AND ADMINISTRATIVE SERVICES BRANCH

General Director: G.V. Tunnoch

PROGRAM PLANNING AND ANALYSIS BRANCH

General Director: I. Craig

OFFICE OF ECONOMICS

General Director: V.J. Macklin

Executive Co-ordinator: T.E. Bocking

GENERAL ANALYSIS BRANCH

Director: C. Schwartz

Canada and United States Division: Acting Chief:
D.F. McKinley

General Assignments Division: Chief: H.R. Smale

Overseas Analysis Division:

INVESTMENT ANALYSIS BRANCH

Director: J.H. Latimer

Capital Expenditure Division: Chief: A.N. Polianski

Corporation Returns Division: Chief: N.S. Hutchinson

Foreign Investment Division: Chief: R.J. Loosmore

International Companies Division: Chief: T.R. Vout

MARKET ANALYSIS BRANCH

Acting Director: A.C. Kilbank

Special Assistant: A.M. Coll

Manufactured Products Division: Chief: W.G. Gray

Regional Trade Patterns Division: Chief: H.D. Henderson

Resources Commodities Division: Chief: R.J. Konecny

PRODUCTIVITY BRANCH

Director: I. Bernolak

Inter-Firm Comparisons Division: Chief: G.G. McLeod

Research and Development Division: L. Turner

Economics of Technology: Consultant: J.G. Snaauw

Consultant Group: R. Gilstorf

OFFICE OF TOURISM

General Director: T.R.G. Fletcher

TRAVEL INDUSTRY BRANCH

Director: D.C. Bythell

Research & Development Division: Chief: J.W. Gibson

Industry Evaluation Division: Chief: L.C. Munn

CANADIAN GOVERNMENT TRAVEL BUREAU

Director: Dan Wallace

Deputy Director: Roland Boire

Offices Abroad: Assistant Director: O. Tiessen

Marketing: Assistant Director: D. Livingstone

Advertising: Manager:

Operations: Manager: M.E. Campeau

Publicity Services: Manager: J.A. Carman

Publications Division: Chief: D.J. Malloy

Travel Trade Relations: Manager: G. Tawse-Smith

Travel Information Services: Acting Chief: D. Jago

Appendix "B"

REGIONAL OFFICES OF THE DEPARTMENT (ON MARCH 31, 1971)

HALIFAX, Nova Scotia

Sir John Thomson Building
1256 Barrington Street

Regional Manager: D.J. Packman
(Territory includes Newfoundland)

FREDERICTON, New Brunswick

Eastern Canada Building
212 Queen Street

Regional Manager: F.D. Grimmer
(Territory includes P.E.I.)

MONTREAL 128, Quebec

Suite 1700, Commerce House
1080 Beaver Hall Hill

Regional Manager: J.G. Touchette

TORONTO 111, Ontario

P.O. Box 114
3001 Toronto-Dominion Centre

Regional Manager: L.H. Ausman

WINNIPEG 1, Manitoba

Suite 1104
Royal Bank Building
220 Portage Avenue

Regional Manager: G.A. Gillespie

REGINA, Saskatchewan

Saskatchewan Wheat Pool Building
Suite 651
2625 Victoria Street

Regional Manager: G.A. Cooper

EDMONTON 15, Alberta

802 Chancery Hall
3 Sir Winston Churchill Square

Regional Manager: W. Mackenzie Hall

VANCOUVER 1, British Columbia

2003 Board of Trade Tower
1177 West Hastings Street

Regional Manager: J.F. Murray

Appendix "C"

LOCATION OF TRADE COMMISSIONER SERVICE POSTS ABROAD

(ON MARCH 31, 1971)

Territory	Officers	Address
Argentina--Buenos Aires (Territory includes: Paraguay, Uruguay, Falkland Islands)	-----Commercial Counsellor	Canadian Embassy Casilla de Correo 3898 Suipacha 1111 BUENOS AIRES
Australia----- Sydney (Territory includes: States of New South Wales and Queensland, Capital Territory, Northern Territory and Dependencies)	-----Commercial Counsellor for Canada	P.O. Box 3952, G.P.O. A.M.P. Building, 21st Floor Circular Quay SYDNEY
Melbourne----- (Territory includes: States of Victoria, South Australia, Western Australia, Tasmania)	-----Commercial Counsellor for Canada	Princes Gate East Tower 17th Floor 151 Flinders Street MELBOURNE 3000
Canberra----- (The Canberra office handles only those trade enquiries that require liaison with federal government departments and agencies)	-----Commercial Counsellor	Office of the High Commissioner for Canada Commonwealth Avenue Yarralumla 2600 CANBERRA
Austria--Vienna----- (Territory includes: Albania, Bulgaria, Hungary, Romania)	-----Commercial Counsellor	Canadian Embassy P.O. Box 190 Dr. Karl Luegerring 10 VIENNA

Territory	Officers	Address
Belgium--Brussels-- (Territory includes: Luxembourg)	-----Commercial Counsellor	Canadian Embassy rue de la Science, 35 BRUSSELS
Brazil-- Rio de Janeiro	-----Commercial Secretary	Canadian Embassy Caixa Postal 2164-ZC-00 Edificio Metropol Avenida Presidente Wilson 165 RIO DE JANEIRO
Sao Paulo	-----Consul and Trade Commissioner	Canadian Consulate Caixa Postal 6034 Edificio Scarpa Avenida Paulista, 1765 9 andar SAO PAULO
Britain--London-- (Territory includes: England, Wales, Gibraltar)	-----Minister (Commercial)	Office of the High Commissioner for Canada One Grosvenor Square LONDON
Scotland--Glasgow-- (Territory includes: Northern Ireland, Scotland)	-----Trade Commissioner	Cornhill House 144 West George Street GLASGOW
Ceylon--Colombo	-----	Commercial Division Office of the High Commissioner for Canada P.O. Box 1006 6 Gregory's Road Cinnamon Gardens COLOMBO

Territory	Officers	Address
Chile--Santiago-----	-----Commercial Secretary	Canadian Embassy Casilla 771 Edificio Ahumada, 10th Floor SANTIAGO
China, People's Republic of--Peking-----	-----Commercial Counsellor	Canadian Embassy 16 San Li Tun PEKING
Colombia--Bogota----- (Territory: Ecuador)	-----Commercial Counsellor	Canadian Embassy Apartado Aereo 53531/2 Calle 58 No. 10-42 BOGOTA
Congo--Kinshasa----- (Territory: Cameroon, Chad, Central African Republic, Gabon, Congo (Brazzaville), Burundi, Rwanda)	-----Commercial Secretary	Canadian Embassy P.O. Box 8341 KINSHASA
Cuba--Havana-----	-----	Commercial Division Canadian Embassy Gaveta 6125 Calle 30 No. 518 esquina 7 ^a Avenida Miramar HAVANA
Czechoslovakia--Prague-----	-----Commercial Secretary	Canadian Embassy Chancery, Mickiewiczova 6 PRAGUE
Denmark--Copenhagen----- (Territory: Greenland)	-----Commercial Counsellor	Canadian Embassy Prinsesse Maries Allé 2 COPENHAGEN

Territory	Officers	Address
European Communities (Territory includes: European Economic Community, European Atomic Energy Community, European Coal and Steel Community)	-----Deputy Head	Mission of Canada to the European Communities Canadian Embassy rue de la Science, 35 BRUSSELS
France--Paris----- (Territory includes: Algeria, Andorra, Monaco)	-----Minister-Counsellor (Commercial)	Canadian Embassy 35 Avenue Montaigne PARIS
Germany----- Bonn (Territory includes: States of Baden-Wuerttemberg, Bavaria, Hesse, Rhineland-Palatinate, Saar, West Berlin)	-----Commercial Counsellor	Canadian Embassy Friedrich-Wilhelmstrasse 18 BONN
Duesseldorf----- (Territory includes: State of North Rhine-Westphalia)	-----Consul General and Senior Trade Commissioner	Canadian Consulate General Koenigsallee 82 4 DUESSELDORF 1
Hamburg----- (Territory includes: City states of Bremen and Hamburg, States of Lower Saxony and Schleswig- Holstein)	-----Consul General	Canadian Consulate General Esplanade 41-47 2000 HAMBURG 36
Greece--Athens-----	-----Commercial Secretary	Canadian Embassy 31 Vassilissis Sophias Avenue ATHENS

Territory	Officers	Address
Guatemala--Guatemala City----- (Territory includes: Costa Rica, El Salvador, Honduras, Nicaragua, Panama and Canal Zone)	-----Commercial Secretary	Canadian Embassy Apartado 3A Edificio Etisa Plazuela Espana 7 ^a Avenida 12-19, Zone 9 GUATEMALA CITY
Hong Kong--Hong Kong----- (Territory includes: Cambodia, Macao, Vietnam)	-----Senior Trade Commissioner	P.O. Box 126 P & O Building, 11th Floor 21-23, Des Voeux Road Central HONG KONG
India--New Delhi----- (Territory includes: Bhutan, Nepal, Sikkim)	-----Commercial Counsellor	P.O. Box 11 13 Golf Links Road NEW DELHI
Indonesia--Djakarta-----	-----Commercial Secretary	Canadian Embassy Djalan Budi Kemuliaan No. 6 DJAKARTA
Iran--Tehran-----	-----Commercial Secretary	Canadian Embassy P.O. Box 1610 Bezrouke Building Corner of Takht Jamshid Avenue and Forsat Street TEHRAN
Ireland--Dublin-----	-----Commercial Counsellor	Commercial Counsellor for Canada 66 Upper O'Connell Street DUBLIN

Territory	Officers	Address
Israel--Tel Aviv----- (Territory includes: Cyprus)	-----Commercial Secretary	Canadian Embassy P.O. Box 20140 84 Hahashmoniam Street TEL AVIV
Italy----- Rome (Territory includes: Provinces of Toscana, Marche, Umbria, Lazio, Abruzzi-Molise, Puglia, Campania, Basilicata, Calabria, Sicilia, Sardegna. Other countries: Libya, Malta)	-----Minister-Counsellor (Commercial)	Canadian Embassy Via G.B. De Rossi 27 ROME
Milan----- (Territory includes: Provinces of Emilia-Romagna, Lombardia, Piedimonte, Trentino-Alto Adige, Veneto, Liguria, Trieste, Valle D'Aosta, Friuli-Venezia)	-----Consul General and Senior Trade Commissioner	Canadian Consulate General C.P. 3977 Via Vittor Pisani 19 MILAN
Ivory Coast--Abidjan----- (Territory includes: Guinea, Liberia, Mali, Mauritania, Niger, Senegal, Upper Volta)	-----Commercial Secretary	Canadian Embassy P.O. Box 21194 Le General Building Corner Avenue du Commerce et Bottreau-Roussel Plateau ABIDJAN
Jamaica--Kingston----- (Territory includes: Bahamas, British Honduras, Cayman Islands, Turks and Caicos Islands)	-----Commercial Secretary	Office of the High Commissioner for Canada P.O. Box 1500 Tobago Road Corner Trafalgar Road and Knutsford Boulevard KINGSTON

Territory	Officers	Address
Japan--Tokyo-- (Territory includes: Guam, Korea, Okinawa)	-----Minister (Commercial)	Embassy of Canada Akasaka Post Office TOKYO
Kenya--Nairobi-- (Territory includes: Ethiopia, Malawi, Somali Republic, Tanzania Uganda, Zambia)	-----Commercial Secretary	Office of the High Commissioner for Canada P.O. Box 3778 Industrial Promotion Services Building Kimathi Street NAIROBI
Lebanon--Beirut-- (Territory includes: Iraq, Jordan, Kuwait, Republic of Yemen (Aden), Persian Gulf area, Saudi Arabia, Syria, Trucial States, Yemen Arab Republic)	-----Commercial Counsellor	Canadian Embassy Boîte Postale 2300 Alpha Building Rue Clemenceau BEIRUT
Malaysia--Kuala Lumpur-- (Territory includes: Burma)	-----Commercial Secretary	Office of the High Commissioner for Canada P.O. Box 990 A.I.A. Building, Ampang Road KUALA LUMPUR
Mexico--Mexico--	-----Commercial Counsellor	Canadian Embassy Apartado Postal 5-364 Melchor Ocampo 463 7th Floor MEXICO
Netherlands--The Hague--	-----Commercial Counsellor	Canadian Embassy Sophialaan 7 THE HAGUE

Territory	Officers	Address
New Zealand--Wellington-- (Territory includes: Cook Islands, French Oceania, Gilbert and Ellice Islands, Tahiti, Tonga, Western Samoa)	-----Commercial Counsellor	Office of the High Commissioner for Canada P.O. Box 12-049 Wellington North ICI Building, 3rd Floor Molesworth Street WELLINGTON
Nigeria--Lagos-- (Territory: Dahomey, Gambia, Ghana, Sierra Leone, Togo)	-----Commercial Secretary	Office of the High Commissioner for Canada P.O. Box 851 Niger House 1/5 Odunlami Street LAGOS
Norway--Oslo-- (Territory includes: Iceland)	-----Commercial Secretary	Canadian Embassy Postuttak OSLO
Pakistan--Islamabad-- (Territory includes: Afghanistan)	-----Commercial Secretary	Office of the High Commissioner for Canada Hotel Shahrazed ISLAMABAD
Peru--Lima-- (Territory includes: Bolivia)	-----Commercial Secretary	Canadian Embassy Casilla 1212 Edificio El Pacifico Corner Avenida Arequipa and Plaza Washington LIMA
Philippines--Manila--	-----Consul General and Senior Trade Commissioner	Canadian Consulate General P.O. Box 1825 1414 Roxas Boulevard MANILA

Territory	Officers	Address
Poland--Warsaw-----	Commercial Secretary	Canadian Embassy Matejki 1/5 Srodmiescie WARSAW
Portugal--Lisbon----- (Territory includes: Azores, Cape Verde Islands, Madeira, Portuguese Guinea)	Commercial Counsellor	Canadian Embassy Rua Rosa Araujo, 2-7 7th Floor LISBON
Puerto Rico--Hato Rey----- (Territory includes: Haiti, U.S. Virgin Islands)	Consul and Trade Commissioner	Canadian Consulate 1606 Pan Am Building HATO REY
Singapore--Singapore-----	Commercial Counsellor	Office of the High Commissioner for Canada P.O. Box 845 International Building 11th Floor 360 Orchard Road SINGAPORE
South Africa----- Johannesburg (Territory includes: Provinces of Natal, Orange Free State, Transvaal. Other countries: Angola, Botswana, Comoro Archipelago, Lesotho, Malagasy, Mauritius, Mozambique, Reunion, Swaziland)	Canadian Government Trade Commissioner	P.O. Box 61619 Marshalltown 78 Fox Street JOHANNESBURG
Cape Town----- (Territory includes: Cape Province. Other countries: St. Helena)	Canadian Government Trade Commissioner	P.O. Box 683 African Life Centre, 13th Floor St. George's Street CAPE TOWN

Territory	Officers	Address
Spain--Madrid-- (Territory includes: Provinces outside the peninsula--Balearic Islands, Canary Islands, Spanish Sahara. Other countries: Equatorial Guinea, Morocco)	-----Commercial Counsellor	Canadian Embassy Apartado 117 Edificio Espana Avenida de Jose Antonio 88 MADRID
Sweden--Stockholm-- (Territory includes: Finland)	-----Commercial Counsellor	Canadian Embassy P.O. Box 14042 Kungsgatan 24 STOCKHOLM
Switzerland--Berne-- (Territory includes: Liechtenstein, Tunisia)	-----Commercial Counsellor	Canadian Embassy Kirchenfeldstrasse 88 BERNE
Thailand--Bangkok-- (Territory: Laos)	-----Commercial Secretary and Consul	Canadian Embassy P.O. Box 2090 Thai Farmers Bank Building 7th Floor 142 Silom Road BANGKOK
Trinidad and Tobago--Port-of-Spain-- (Territory includes: Barbados, French Guiana, Guadeloupe, Guyana, Leeward and Windward Islands, Martinique, Surinam)	-----Commercial Secretary	Office of the High Commissioner for Canada P.O. Box 1246 Colonial Building 72 South Quay PORT-OF-SPAIN
Turkey--Ankara--	-----Commercial Secretary	Canadian Embassy Vali Dr. Resit Caddesi 52 ANKARA

Territory	Officers	Address
United Arab Republic Egypt--Cairo----- (Territory: Sudan)		Commercial Division Canadian Embassy Kasr el Doubara Post Office 6 Sharia Rouston Pasha Garden City CAIRO
U.S.S.R.--Moscow-----	Commercial Counsellor	Canadian Embassy 23 Starokonyushenny Pereulok MOSCOW
United Nations New York-----	First Secretary	Permanent Mission of Canada to the United Nations 866 United Nations Plaza Suite 250 NEW YORK
United States		Canadian Embassy 1746 Massachusetts Avenue, N.W. WASHINGTON
Washington----- (Territory includes: U.S. Government and agencies; international organi- zations with headquarters in Washington)	Commercial Counsellor	Canadian Consulate General 680 Fifth Avenue NEW YORK CITY
New York City----- (Territory includes: States of Connecticut, New Jersey (12 northern counties), south New York. Other countries: Bermuda)	Deputy Consul General (Commercial)	

Territory	Officers	Address
Boston----- (Territory includes: States of Maine, Massachusetts, New Hampshire, Rhode Island, Vermont. Other countries: St. Pierre and Miquelon)	-----Consul and Senior Trade Commissioner	Canadian Consulate General 500 Boylston Street BOSTON
Buffalo----- (Territory includes: Upper New York State)	-----Consul and Trade Commissioner	Canadian Consulate 1400 Main Place 396 Main Street BUFFALO
Chicago----- (Territory includes: States of Illinois, Indiana, Iowa, Missouri, Nebraska, southern Wisconsin)	-----Consul and Senior Trade Commissioner	Canadian Consulate General 310 South Michigan Avenue Suite 2000 CHICAGO
Cleveland----- (Territory includes: States of Ohio, Kentucky, West Virginia, western Pennsylvania)	-----Consul and Senior Trade Commissioner	Canadian Consulate Illuminating Building 55 Public Square CLEVELAND
Dallas----- (Territory includes: States of Texas, Arkansas, New Mexico, Oklahoma, Kansas)	-----Consul and Trade Commissioner	Canadian Consulate 2100 Adolphus Tower 1412 Main Street DALLAS
Detroit----- (Territory includes: States of Michigan and Indiana)	-----Consul and Trade Commissioner	Canadian Consulate 1920 First Federal Building 1001 Woodward Avenue DETROIT
Los Angeles----- (Territory includes: States of Arizona, California (ten southern counties), Clark County in Nevada)	-----Consul and Trade Commissioner	Canadian Consulate General 510 West Sixth Street LOS ANGELES

Territory	Officers	Address
Minneapolis (Territory includes: States of Minnesota, North Dakota, South Dakota, Montana (east of the Divide), northern Wisconsin, Upper Michigan Peninsula)	Consul and Trade Commissioner	Canadian Consulate Chamber of Commerce Building 15 South Fifth Street MINNEAPOLIS
New Orleans (Territory includes: States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee)	Consul and Trade Commissioner	Canadian Consulate General 2110 International Trade Mart 2 Canal Street NEW ORLEANS
Philadelphia (Territory includes: States of Delaware, Maryland, New Jersey (nine southern counties), Pennsylvania, Virginia, West Virginia, District of Columbia)	Consul and Trade Commissioner	Canadian Consulate 3 Penn Center Plaza PHILADELPHIA
San Francisco (Territory includes: States of California (except the ten southern counties), Colorado, Hawaii, Nevada (except Clark County), Utah, Wyoming)	Consul and Trade Commissioner	Canadian Consulate General One Maritime Plaza Golden Gateway Center SAN FRANCISCO
Seattle (Territory includes: States of Alaska, Idaho, Montana, Oregon, Washington)	Consul General and Trade Commissioner	Canadian Consulate General 410 Plaza 600 Sixth and Stewart SEATTLE

Territory	Officers	Address
Venezuela--Caracas-- (Territory includes: Netherlands Antilles)	-----Commercial Counsellor	Canadian Embassy Apartado del Este 62302 Avenida La Estancia No. 10 Ciudad Comercial Tamanaco CARACAS
Yugoslavia--Belgrade--	-----Commercial Secretary	Canadian Embassy Proleterskih Brigada 69 BELGRADE

Appendix "D"

CANADIAN GOVERNMENT TRAVEL BUREAU

OFFICES ABROAD (on MARCH 31, 1971)

Eastern United States

General Manager

R.D. Palmer, General Manager
Eastern United States
Room 1201, 680 Fifth Avenue
New York City, NY 10019

Boston

John R. Akin, Manager
263 Plaza
The Prudential Center
Boston, MA 02199

Cincinnati

Peter J. Fraser, Manager
Room 1010, Enquirer Building
617 Vine Street
Cincinnati, OH 45202

Cleveland

Manager
Winous-Point Building
1250 Euclid Avenue
Cleveland, OH 44115

Detroit

Roger A. Cloutier, Manager
Book Building
1257-1259 Washington Boulevard
Detroit, MI 48226

New York

John M. Harrison, Manager
680 Fifth Avenue
New York City, NY 10019

Philadelphia

Courtney B. Chick, Manager
3 Benjamin Franklin Parkway
Philadelphia, PA 19102

Pittsburgh

Wayne Mercer, Manager
1001-1003 Jenkins Arcade
Liberty and Fifth Avenue
Pittsburgh, PA 15222

Rochester

Harold E. Betts, Manager
247 Midtown Plaza
Rochester, NY 14604

Washington John R. Bunt, Manager
N.A.B. Building
1771 N Street, Northwest
Washington, DC 20036

Western United States and Pacific Area

General Manager A.R. Peers, General Manager
Western United States and
Pacific Area
Suite 2300, Crocker Plaza
600 Market Street
San Francisco, CA 94104

Chicago Don Alexander, Manager
100 North LaSalle Street
Chicago, IL 60602

Los Angeles Charles A. Watt, Manager
510 West 6th Street
Los Angeles, CA 90014

Minneapolis Hector L. Crombie, Manager
124 South 7th Street
Northstar Center
Minneapolis, MN 55402

San Francisco Dave Moilliet, Manager
Suite 2300, Crocker Plaza
600 Market Street
San Francisco, CA 94104

Seattle Thomas L. Hill, Manager
Suite 1117, Plaza 600
600 Stewart Street
Seattle, WA 98101

Mexico Miss Annette Fortier, Manager
Servicio de Turismo del Canada
Avenida Morelos 110-905
Mexico 6, D.F., Mexico

Sydney Roly B. deGrosbois, Manager
Fifth Floor
40 Martin Place
Sydney, N.S.W., Australia

Tokyo William R. MacLean, Manager
Palace Building
1-1, 1-Chome, Marunouchi
Chiyoda-ku, Tokyo, Japan

Europe

General Manager

George W. Powell, General Manager
Europe
Room 326, Macdonald House
One Grosvenor Square
London, W1X 0AB, England

Frankfurt

O. von Finckenstein, Manager
Kanadisches Fremdenverkehrsamt
6 Frankfurt, Biebergasse 6-10
City Center, Frankfurt
Federal Republic of Germany

The Hague

Peter J. Hann, Manager
Canadees Nationaal Verkeersbureau
Kamer 40, Hofweg 3
The Hague, The Netherlands

London

Francis H. Galipeau, Manager
19 Cockspur Street
London, SW1Y 5BP
England

Paris

Serge Emelyanov, Manager
Office National du Tourisme Canadien
4, rue Scribe
Paris IX, France

Appendix "E"

INTERNATIONAL DEFENCE PROGRAMS BRANCH POSTS ABROAD

Washington Office	P.O. Box 4897, Cleveland Park Station Washington, D.C. 20008
Director and Counsellor (Defence Production):	F.T. Jackman
Dayton Office	MCDDP, Wright Patterson A.F. Base OH 45433
Canadian Liaison Officer (Defence Production):	A.E. Johnston
Los Angeles Office	Defense Contract Administration Services District Room 130, 125 S. Grand Avenue Pasadena, CA 91109
Canadian Field Liaison Officer (Defence Production):	T.J.B. Robinson
Boston Office	ESKZ Building 1618 Stop 27 L.G. Hanscom Field Bedford MA 01730
Canadian Liaison Officer (Defence Production):	J.S. Vincent
Detroit Office	Michigan Army Missile Plant 38111 Van Dyke Avenue Warren MI 48090
Canadian Liaison Officer (Defence Production):	J. Morris
Philadelphia Office	Defense Personnel Support Center 2800 S. 20th Street Philadelphia, PA 19101
Canadian Liaison Officer (Defence Production):	R.J. Rushka
Bonn Office	Canadian Embassy 53 Bonn-Bad Godesberg Friedrich-Wilhelmstrasse 14-18, The Federal Republic of Germany

Counsellor (Defence Production):	T.M. Chell
First Secretary (Defence Production):	R.H. Trepanier
London Office	Office of the High Commissioner One Grosvenor Square London, W1X 0AB, England
Counsellor (Defence Production):	O.W. Bennett
Paris Office	Ambassade de Canada 35 Avenue Montaigne Paris 8 ^e , France
Counsellor (Defence Production):	R.B. Lemay
Brussels Office	Canadian Delegation NATO/OTAN B1110 Brussels, Belgium
Counsellor (Defence Production):	E.A. Coolen
Rome Office	Canadian Embassy Via G.B. de Rossie 27 00161 Rome, Italy
Counsellor (Defence Production):	O.A. Sulzenko
Tehran Office	Canadian Embassy P.O. Box 1610 Bezrouke Building Corner of Takht Jamshid Avenue and Forsat Street Tehran, Iran
First Secretary (Defence Production):	J.C. Currie

Appendix "F"

MINISTER'S ADVISORY COUNCIL

Mr. L.J. Adams
President
Avis Transport of Canada Ltd.
750 Laurentian Boulevard
Montreal 379, Québec

Mr. D.G. Anderson
Manager, P.E.I. Potato Marketing Board
129 Kent Street
Charlottetown, P.E.I.

Mr. W.M. Auld
President
Bristol Aerospace Limited
International Airport
Winnipeg, Manitoba

Mr. Lewis H.M. Ayre
President
Ayre & Sons Limited
St. John's, Newfoundland

Mr. Ralph M. Barford
President
General Steel Wares Limited
45 St. Clair Avenue West
Toronto 195, Ontario

M.J. Jacques Beauchemin
Président
Sullivan Mining Group Ltd.
Suite 2500, Edifice B.C.N.
500, Place d'Armes
Montréal 126, Québec

Mr. J.M. Billingsley
President
Pacific Truck and Trailer Ltd.
935 West Third Street
North Vancouver, British Columbia

Mr. Robert W. Bonner, Q.C.
Executive Vice-President
Administration
MacMillan Bloedel Ltd.
1075 West Georgia Street
Vancouver 5, British Columbia

M. Paul Chapdelaine
Président
St. Lawrence Cement Co.
50 ouest, Place Crémazie
Montréal 351, Québec

Mr. W.J. Cheesman
President
Canadian Westinghouse Co. Ltd.
286 Sanford Avenue North
P.O. Box 510
Hamilton, Ontario

Mr. Gilbert C. Clarke
President
Standard Brands Limited
550 Sherbrooke Street West
Montreal 11, Quebec

Mr. J.S. Dewar
President
Union Carbide Canada Limited
123 Eglinton Avenue East
Toronto 7, Ontario

Mr. Martin A. Eisenhower
President
ABCO Limited
P.O. Box 2006
Halifax, Nova Scotia

M. Edouard Fiset
Fiset, Deschamps & Papanek
Architectes
Place du Canada, Suite 1190
Montréal 101, Québec

Mr. John S. Fralich
President
Hoffman-La Roche Ltd.
1956 Bourdon Street
Montreal 378, Quebec

M. Emile Gagnon
Président
Les Industries Aird Limitée
916 est, rue Ontario
Montréal 132, Québec

Dr. James M. Gillies
Dean of Faculty of Administrative Studies
Room 238, Vanier College
York University
4700 Keele Street
Downsview, Ontario

Mr. P. Hedgewick
President
I.T.L. Industries Limited
Box 68, Sandwich Station
Windsor, Ontario

Mr. D.S. Holbrook
Chairman & President
Algoma Steel Corporation
503 Queen Street East
Sault Ste. Marie, Ontario

Mr. Allen T. Lambert
Chairman & President
The Toronto Dominion Bank
P.O. Box 1, Head Office
Toronto-Dominion Centre
Toronto 1, Ontario

Mr. Howard J. Lang
Chairman & President
Canron Limited
1 Place Ville Marie, Suite 1121
Montreal, Quebec

Mr. P.C. Levesque
President
Sussex Manufacturing (1964) Limited
P.O. Box 1115
Fredericton, New Brunswick

Mr. Richard Lowery
President
Davie Shipbuilding Limited
759 Victoria Square
Montreal, Quebec

Mr. C.S. Malone
Chairman & President
Chemcell Limited
800 Dorchester Boulevard West
Montreal 101, Quebec

Mr. V.O. Marquez
President
Northern Electric Co. Ltd.
1600 Dorchester Boulevard West
P.O. Box 6123
Montreal 101, Quebec

Mr. J.R. McCaig
Chairman of the Board
Trimac Limited
535 - 7th Avenue S.W.
Calgary 2, Alberta

Mr. G.W.F. McCain
Vice-President
McCain Foods Limited
Florenceville, New Brunswick

Mr. R.I. Nelson
President
British Columbia Packers Ltd.
P.O. Box 5000
Vancouver 3, British Columbia

M. Jean P.W. Ostiguy
Président
Morgan, Ostiguy & Hudon Limitée
500 ouest, rue St-Jacques
Montréal, Québec

Mr. K.R. Oswell
Senior Partner
P.S. Ross & Partners
200 University Street
Toronto 1, Ontario

M. Charles Perrault
Président
Casavant Frères Limitée
Case postale 38
St-Hyacinthe, Québec

Mr. H.C. Pinder
Secretary Treasurer & Director
Saskatoon Drug & Stationery Co. Ltd.
P.O. Box 1648
Saskatoon, Saskatchewan

Mr. G.J. Pollock
President
Mannix Co. Limited
815 Second Street S.W.
Calgary, Alberta

Mr. Alfred Powis
President
Noranda Mines Limited
44 King Street West, Suite 1700
Toronto 1, Ontario

Mr. Karl E. Scott
Chairman & Chief Executive Officer
Ford Motor Company of Canada Ltd.
The Canadian Road
Oakville, Ontario

Mr. Fred W. Sellers
President
Spiroll Corporation Limited
385 Dawson Road
Winnipeg 6, Manitoba

Mr. Norman C. Simpson
President
Acres Limited
20 Victoria Street
Toronto 210, Ontario

Mr. Ian D. Sinclair
President
Canadian Pacific Railway
Windsor Station
Montreal 101, Quebec

Mr. E.K. Turner
President
Saskatchewan Wheat Pool
Wheat Pool Building
Regina, Saskatchewan

Mr. W.O. Twaits
Chairman & Chief Executive Officer
Imperial Oil Limited
11 St. Clair Avenue West
Toronto 7, Ontario

Mr. W.P. Wilder
President
Wood Gundy Securities Limited
Royal Trust Tower
P.O. Box 274
Toronto-Dominion Centre
Toronto 111, Ontario

Mr. D.G. Willmot
President
Molson Industries Limited
P.O. Box 6015
Toronto AMF, Ontario

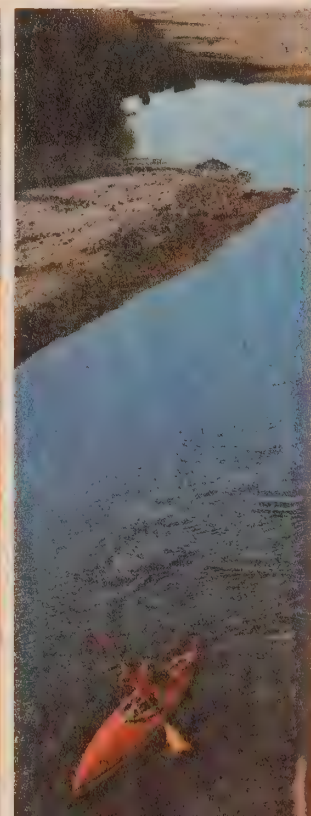
Mr. H.M. Wright
President
Wright Engineers Limited
1101 West Pender Street
Vancouver 1, British Columbia

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Department of Industry,
Trade and Commerce
Annual review 71-72



The Department of Industry, Trade and Commerce annual review

Steady economic growth must be maintained within a sound economy if Canada and all Canadians are to enjoy enlarging prosperity in the widest possible sense. The Department of Industry, Trade and Commerce plays an important role in the attainment of this objective by stimulating the growth and efficiency of the manufacturing, processing and tourist industries in Canada, and fostering the expansion of Canadian trade.

The Department assists the Canadian businessman and industrialist through a wide variety of programs and services. At each phase of the production cycle — from research, design and development through production and marketing — the Department stands equipped and ready to help with expert advice, information and financial assistance.

Steady progress was made during the April 1, 1971, to March 31, 1972, fiscal year toward fulfilling the Department's industrial and trade objectives at home and abroad. The Department helped industry

to develop new products, to put available resources to better use and to promote Canadian commodities on domestic and world markets. Through the Department's tourism programs, visitors were attracted to Canada in increasing numbers and more Canadians discovered the wealth of beauty, history and recreational facilities in their country.


This report does not attempt to describe all the projects the Department was involved in during the year; it highlights the main initiatives and programs undertaken on behalf of the Canadian business community. The Department's activities are covered under four broad headings: product innovation, production efficiency, international-domestic environment and market development. The report also describes briefly the 1971/72 tourism program, the activities of the Minister's Advisory Council and the progress made in liquidating the assets and liabilities of the former Canadian Corporation for the 1967 World Exhibition.

OTTAWA

The Honourable Jean-Luc Pepin
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual
review of the Department of Industry, Trade and Commerce,
covering activities during the period April 1, 1971 to
March 31, 1972.

 Respectfully submitted
J. F. Grandy
Deputy Minister

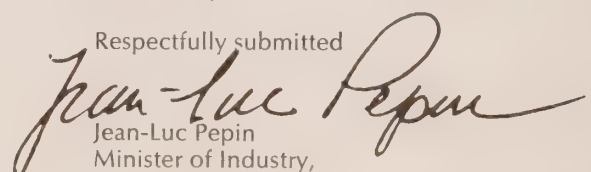
OTTAWA

To His Excellency
The Right Honourable Roland Michener, C.C.
Governor General of Canada

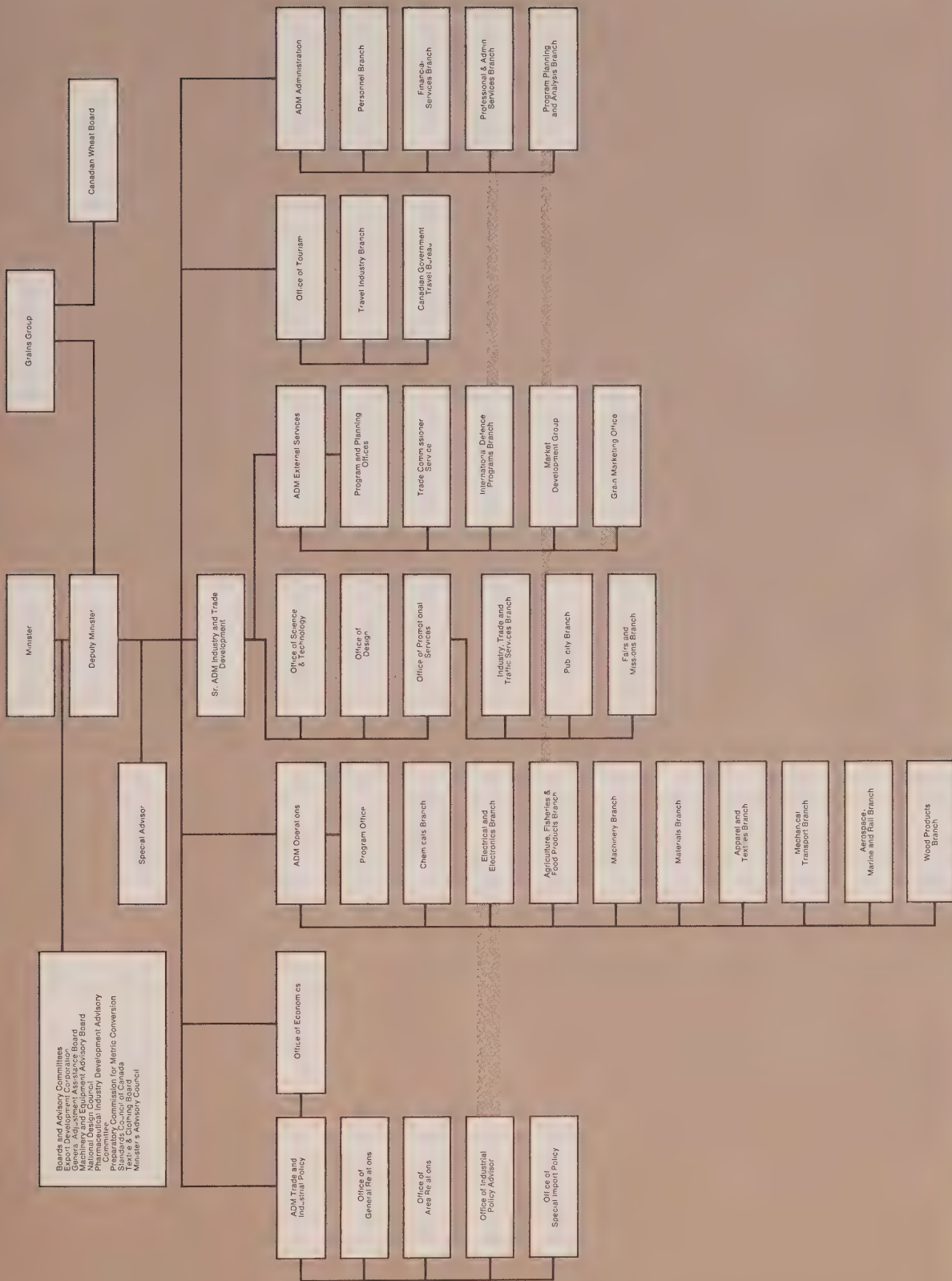
May it please Your Excellency:

I have the honour to submit to Your Excellency
the annual review for the Department of Industry, Trade and
Commerce covering the period April 1, 1971 to March 31, 1972.

A summary of the Department's policies, activities
and services rendered is laid before Your Excellency.

Respectfully submitted

Jean-Luc Pepin
Minister of Industry,
Trade and Commerce

DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE



PRODUCT INNOVATION

In this age of rapid technological change, long-term economic growth depends on today's innovation. To help ensure a continuing flow of new and improved products, processes and services, the Department:

- Formulates and administers incentive programs designed to stimulate technological innovation;
- Establishes and supports research institutes and centres;
- Provides industry with specialized advice and information on scientific developments and techniques.

The Department also chairs the Secretariat of the federal government's Inter-departmental Committee on Innovation, whose function is to assess and recommend government policies and programs aimed at furthering industrial research and development.

Incentive Programs: The Industrial Research and Development Incentives Act (IRDIA) authorized 874 grants amounting to \$31.3 million during fiscal year 1971/72. Since the program's inception in July, 1967, a total of 2,796 grants worth \$106 million have been offered to more than 1,600 Canadian companies.

Another program to help Canadian industry grow and become more efficient is the Program for the Advancement of Industrial Technology (PAIT), which allotted \$36.9 million to 148 new projects approved in 1971/72. Actual expenditure under the program doubled as compared with the previous year, going from \$13.1 million to \$27.4 million. PAIT was expanded last year to allow for sharing the cost of market feasibility studies.

Through the Defence Industry Productivity Program (DIP), the Department shares costs of selected industry projects, including development of Short Take-off and Landing (STOL) and Vertical Take-Off and Landing (VTOL) aircraft, turbine engines, flight simulators, landing gear, flight data recorders and components for large transport aircraft. Electrical and electronics projects have emphasized communications equipment such as UHF transceivers, radio relay equipment and integrated telecommunications systems. Important schemes for development and production of micro circuits and printed circuits have also been devised and DIP has supported the acquisition of advanced production, testing and quality-control equipment by some 60 companies engaged in various fields of precision metalworking.



Research grants and incentive programs help stimulate technological innovation



The Department shares costs of selected industry projects, including development of STOL and VTOL aircraft and flight simulators

A program of closer collaboration with the provincial departments of Trade and Industry has given added stimulus to the use of industrial design services throughout the country. The Industrial Design Assistance Program (IDAP) supported 31 projects in 1971/72 with a total contribution of \$670,000 — an increase of 87 per cent over the previous fiscal year — and work continued on plans to strengthen design education at all levels. A noteworthy development last year was the successful introduction of pilot courses in design management — at l'Ecole des Hautes Etudes Commerciales in Montreal, and at the University of Manitoba in Winnipeg. About 75 persons enrolled in the first courses. Grants worth a total of \$203,700 went to design training and research; promotion and special seminars; and 25 scholarships amounting to \$78,700 were awarded for advanced studies in industrial design. The second 'Design Canada' Awards Program for creative use of concrete in architecture closed in November 1971 and it was decided to initiate a new program to encourage the imaginative use of unit masonry.

Preliminary steps in the implementation of a long-term designer development program were initiated last fiscal year and five bursaries were awarded to aspiring designers to enable them to undertake advanced studies abroad. The scheme aims at creating better opportunities for trained fashion designers to work in a climate of fashion awareness in Canada.

Research Institutes and Centres: The Industrial Research Institute program, which encourages universities to undertake research and development for industry on a contract basis, made possible the formation of two new institutes in 1971 — Centre de Développement Technologique at l'Ecole Polytechnique and the Office of Industrial Research at McGill University, both in Montreal. Grants from the Department cover costs of establishment and administration during the initial years of operation.

A related program, introduced in 1970, helps Canadian universities and other organizations to establish centres of advanced technology in specific areas of importance to Canadian industry. Two new centres were established last fiscal year — the Centre for Powder Metallurgy at the Ontario Research Foundation and the Systems Building Centre at the University of Toronto. The Department pays the costs of equipment, materials and salaries of professional staff during the initial years of operation.

The Department also launched a university grants program aimed at obtaining information for policy-making purposes and at enhancing academic interest in technological innovation as it occurs in Canada. Support was given to projects involving studies of venture capital and market assessment by Canadian companies, case studies of entrepreneurship, and an analysis of the psychological and sociological characteristics of Canadian entrepreneurs.

Miscellaneous Notes: Accumulation of by-product sulphur in Western Canada and a serious world over-supply problem led to the formation last November of a federal-provincial task force on sulphur, chaired by the Department. The new body's purpose is to explore and propose new uses for sulphur. Task force recommendations on the formation of an independent research and development institute to be sponsored jointly by industry and government were approved in principle and discussions concerning their implementation were started with provincial authorities and the sulphur industry.

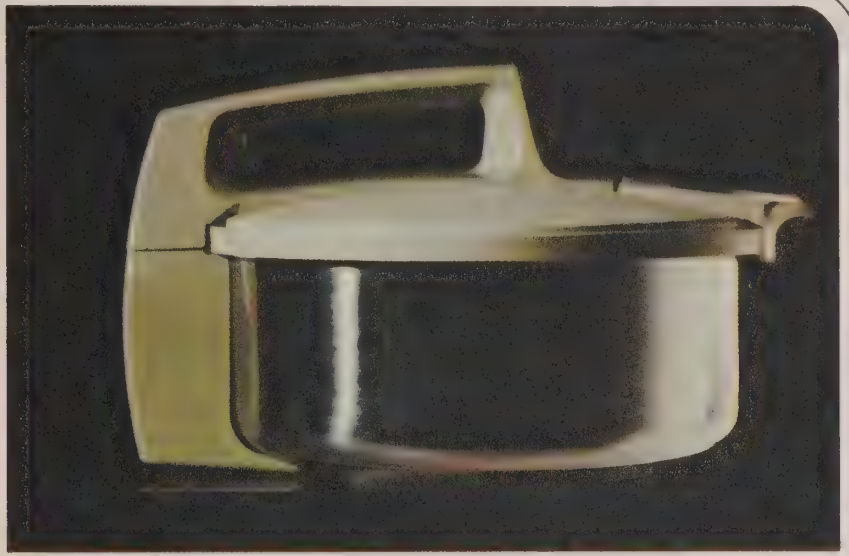
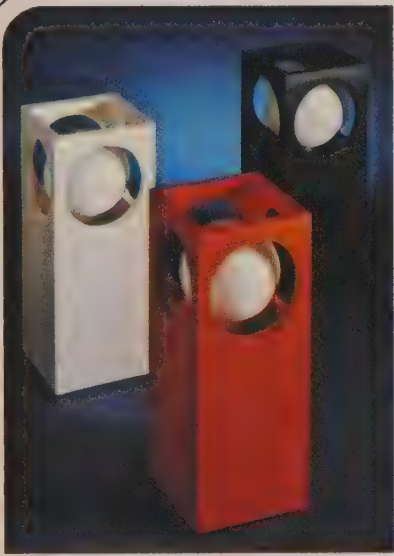
The Department helped a large Canadian mining company develop a continuous smelting and converting process for copper concentrates on a pilot plant scale. As a result, a commercial pro-

duction plant is now being constructed. Another Canadian company is using Departmental assistance to develop the technology needed for production of high nickel alloys. Preliminary results indicate that metallurgically satisfactory material can be produced.

Analyses of two electrical/electronic consumer products industry sectors pointed out the lack of technology in this area and the problem of setting up internationally competitive research and development operations in view of the limited size of Canadian firms. The Department has reacted directly to the problem by encouraging licensing of foreign technology by Canadian manufacturers, the ultimate goal being distribution of new Canadian products throughout the entire North American market.

A federal-provincial task force will explore and propose new uses for sulphur





Continuing improvement in industrial design is an important part of the innovation process

A fashion design program encourages creative styling and improved quality

PRODUCTION EFFICIENCY

The greatest challenge facing Canadian industry today is that of achieving the highest possible degree of production efficiency. Recognizing this, the Department established a comprehensive program to help Canadian enterprises operate more efficiently and compete more effectively, both at home and abroad. In this continuing effort the Department:

- Analyzes supply and demand patterns in domestic and world markets;
- Assesses the effectiveness of production methods;
- Provides specialized advice and information to industry;
- Operates incentive programs designed to help firms enhance their efficiency and improve their business.

Research and Analysis: The industry sector branches and other units of the Department, often in conjunction with industry, carry out and sponsor a continuous program of research to determine opportunities in different industry sectors and to gauge their competitive potential, regionally and internationally.

Research conducted during the past year included a general study into the effects of domestic and international variations in productivity, profitability, wages, prices and employment.

In order to help Canadian enterprises improve their profitability and cost effectiveness, the Department developed an inter-firm comparison program and the first pilot studies were undertaken in the automotive parts and electrical-wire-and-cable industries. The program provides a quantitative management-information framework involving calculation of a set of key operational ratios for each firm or plant, which can be compared with the ratios of other enterprises in the same business or with a company's ratio for earlier years.

Specific studies and technical surveys probed such diverse areas as construction, pulp and paper, iron and steel, petroleum products, STOL aircraft, intermodal shipping containers, railway rolling stock, propulsion systems, and various sectors of the machinery industry.

Progress was made during the year in encouraging consolidation, modernization and specialization in the electrical/electronic consumer appliance sectors. Highlight of this consolidation was the amalgamation of a large Canadian appliance producer with a Toronto-based range manufacturer, to form the largest maker of appliances in Canada. This and other mergers are bringing the industry closer to an economical scale of production and marketing.



Industry, Trade and Commerce programs help Canadian enterprises to operate more efficiently



This aluminum casting and rolling facility in Quebec — the first of its kind in the world — is expected to eventually eliminate imports of hot-rolled aluminum sheet

Incentive Programs: Since its inception in 1969, the General Adjustment Assistance Program (GAAP) has authorized insurance on 74 loans valued at \$63.2 million to help finance restructuring programs involving \$85 million. Insurance on 32 loans amounting to \$22 million for expansion programs worth a total of \$30 million was approved in fiscal 71/72. It is estimated that export and domestic earnings made possible by the scheme will be greater by \$244 million in 1973 and that 5,000 persons will find employment as a result.

The Program to enhance Productivity (PEP) supported 53 projects last fiscal year with a total commitment of \$811,438 as compared with \$52,450 for three projects the previous year.

The Employment Support Act (October, 1971) provides for assistance to Canadian manufacturers to mitigate the disruptive effects of foreign import surtaxes or other measures that might seriously affect employment. Some 1,026 applications were received up to March 31 this year, all with regard to the U.S. import surtax that was in effect from

August 16 to December 19, 1971. The Department approved 758 grants amounting to \$10,688,916 to support 21,716 jobs. Fifty more grants worth a total of \$461,598 were approved by the Governor-in-Council on the Employment Support Board's recommendations.

Recognizing the need to improve Canadian management capabilities, the Department announced two initiatives in business management last March. The first — Development of Management Courses — is designed to improve managerial competence through assistance to non-profit professional, industrial, business or management associations in developing or revising management training courses. The second initiative — counselling Assistance to Small Enterprises (CASE) — is being initially implemented on a trial basis at two Canadian centres. CASE helps small businesses improve performance by making available a management counselling service employing the talents of retired business executives.

During 1971/72, the Department processed some 17,000 applications under the Machinery Program (MACH) and total duty remissions amounted to \$80 million. The provisions of the program were extended to imported sawmill and logging machinery.

The Automotive Adjustment Assistance Program (AAA) granted 16 loans worth a total of \$23,311,000 to Canadian producers of original automotive parts and equipment. 1971/72 was the most active year since the program's inception in 1965. The Adjustment Assistance Board, which administered the scheme, also approved 11 applications for tariff remissions totalling \$138,000 on imported machinery and equipment for use in the automotive industry. The Board's functions ceased on June 30, 1971, but the Manufacturing Assistance Regulations were extended to June 30, 1973, with the General Adjustment Assistance Board designated as the decision-making body.

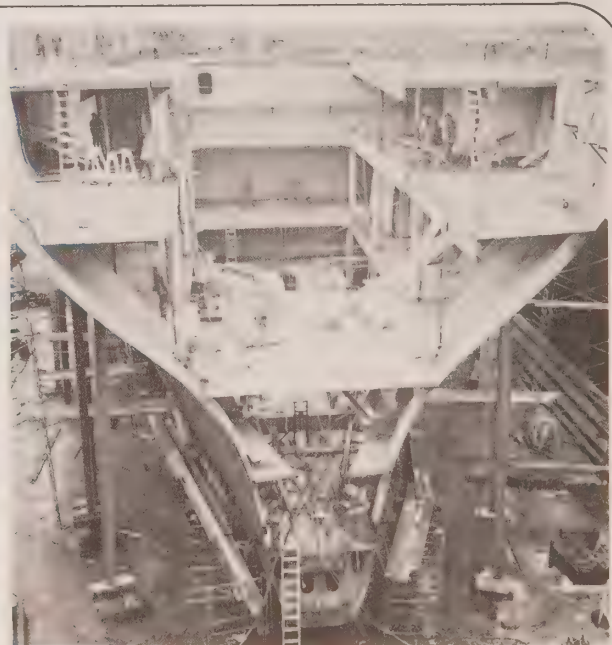
Responsibility for tariff remissions was transferred to the Machinery and Equipment Advisory Board in June, 1971. As many as 696 workers in the

automotive industry were certified eligible to apply for Transitional Assistance Benefits under the Regulations.

Last year, the Department reviewed 15 applications for aid under the Pharmaceutical Industry Development Assistance Program (PIDA) and approved three loans amounting to \$977,000.

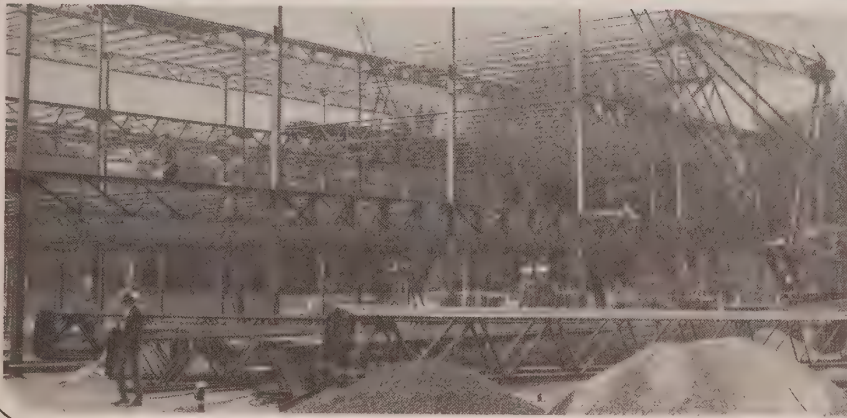
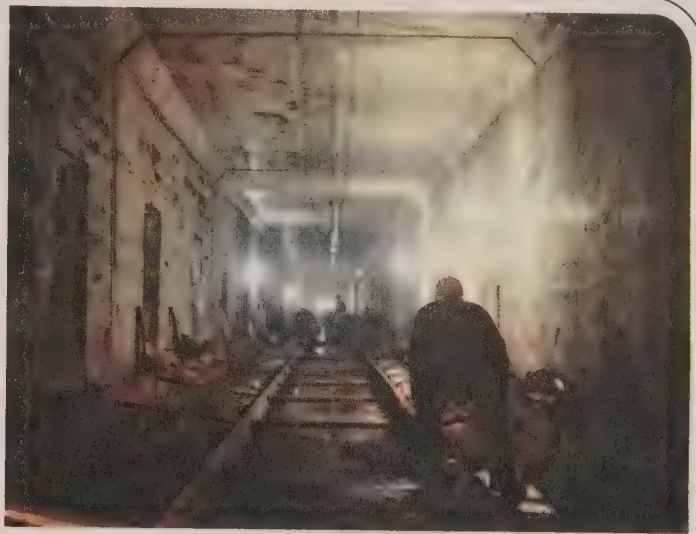
The Ship Construction Subsidy Regulations (SCSR) for domestic customers extended \$8.5 million in aid and the balance (\$1.8 million) came from the Shipbuilding Temporary Assistance Program (STAP) for export customers. Total contributions to the marine industry will be boosted to \$26.5 million in 1972/73.

The newly formed Canadian Construction Information Corporation will be responsible for the final development and marketing of the Canadian Construction Information System — a means of storing, retrieving and disseminating data vital to the construction industry. Plans to get the System going were announced in March at a two-day conference in Ottawa.



Two departmental programs help Canadian shipbuilders to compete in world markets

Deep-sea petroleum production system



The Building Equipment, Accessories and Materials (BEAM) Program aims at increasing productivity and efficiency in the manufacture and use of building equipment and materials

INTERNATIONAL/DOMESTIC ENVIRONMENT

Canadian processors and manufacturers are affected by a variety of business factors beyond their direct control but nevertheless vital to their growth potential. Domestically, such matters as competition policy, taxation policy and import policy affect the direction and rate of industrial development. Internationally, all trade barriers, whether tariff or non-tariff, control to a major degree the access to other countries for Canadian products.

While these environmental factors are managed in large part by other government agencies in Canada and by foreign governments and bodies, the Department has a responsibility to draw attention to their impact on Canadian industrial and trade developments and to recommend policies and procedures beneficial to Canadian interests.

International Environment: The Department was involved in a wide range of trade policy activities during the year. In the field of commodity trade policy, the new International Wheat Agreement — signed by major exporters and importers of wheat — took effect July 1, 1971. It will provide for ongoing consultations on market conditions and supply of some four million tons of grain annually as food aid to developing countries. At the 63rd session of the Wheat Council in November, Canada reiterated its interest in obtaining pricing provisions in the Agreement, but the Council did not consider the time appropriate.

Early in 1972, Canada successfully invoked certain provisions of the International Sugar Agreement, thereby ensuring adequate sugar supplies at an agreed price ceiling in a situation of tighter world supply and sharply rising prices. The country continued to take part in ongoing consultations on coffee, tin, lead and zinc, and in October, 1971, hosted a second international ad hoc consultation on sulphur.

As part of last year's package settlement of the trade and monetary crisis, the major industrial nations, including Canada, followed the lead of the USA, the EEC and Japan in committing themselves to a new round of GATT negotiations scheduled for 1973 and likely to embrace trade in both agricultural and industrial products. The negotiations are also expected to cover tariff and non-tariff barriers to trade.

At the OECD Ministers' meeting in June, 1971, it was agreed to set up a group of internationally-known individuals to analyse "trade and related problems which arise in the longer-term perspective". Progress was made under OECD auspices to provide for the exchange of information on the terms and conditions on which other countries would be prepared to provide export credits, and discussions were continued on government procurement practices.

The Department maintained close contact with the Canadian International Development Agency on Canada's bilateral aid programs and encouraged

CIDA to introduce lines of credit permitting more active trade promotion. Programs were launched to accelerate and improve the flow of information on projects financed by development assistance institutions such as the World Bank Group, the United Nations Development Program and the Regional Development Banks. Canada entered the Caribbean Development Bank and negotiated entry into the Inter-American Development Bank. The Department's active promotion of export sales required unprecedented levels of assistance from the Export Development Corporation (EDC) in the form of export credits insurance, guarantees and direct long-term financing. EDC, which also administers a foreign investment insurance facility, reports to Parliament through the Minister of Industry Trade and Commerce.

The Department played a key role in talks on the Canada-U.S. Auto Agreement and in negotiations with the United States following that country's imposition of new economic measures, August 15, 1971. An extensive series of discussions failed to lead to any agreement on lowering barriers to trade between the two countries, but the 10 per cent surcharge on imports into the U.S. was lifted in December.

Trade agreements concluded with Hungary, Rumania and Colombia will improve access to these markets, and current negotiations with Tunisia and the Philippines may lead to the signature of new trade agreements next fiscal year.

Following a series of discussions between Canadian and European ministers, Britain and the EEC agreed to institute duty-free quotas on imports into Britain of four important items from Canada — newsprint, wood pulp, plywood and phosphorus — and to institute a safeguard provision to prevent abrupt dislocation of agricultural imports from third countries as a result of British admission to an enlarged EEC.

In November, 1971 the Canadian and British governments signed an agreement whereby Canada undertook not to exercise rights derived from British tariff bindings on cereals (in the GATT) in return for concessions and undertakings designed to preserve Canada's traditional export trade in cereals with Britain. An agreement was reached with the EEC Commission to hold regular consultations on trade and the EEC border tax on rapeseed was removed February 1, 1972.

Canada became a full member of the Customs Co-operation Council in October, 1971 but even prior to that time had been invited to submit suggestions for an extensive revision in the wording of several sections of Chapter 44 of the Brussels Tariff Nomenclature.

The Department helped assure the success of the World Consultation on the Use of Wood in Housing, held July, 1971, in Vancouver. The meetings, jointly sponsored by the United Nations and the Government of Canada, placed particular emphasis on the needs of developing countries. More than 300 delegates from 57 countries attended.



The Minister inspects Canadian equipment installed in Japanese television factory

A Canadian trade mission to Japan in January 1972 made a positive impact on the Japanese Government and business community



Canada hosted the 22nd Assembly of the International Rubber Study Group, September 20 to 24, 1971. The Ottawa meeting was attended by 150 delegates from 26 countries and eight observers from international organizations.

Over the past three years, Canada has become more actively engaged in international missions leading to bilateral science and technology agreements that help to keep the country in touch with world technological developments and to open up new market opportunities. Such agreements have been concluded with Belgium, the USSR and the Federal Republic of Germany. Though the agreement with the Soviet Union provides an important channel for exchanges in the scientific field, it opens up the possibility of broadening Canada's trade with the USSR. Both sides to the agreement appear satisfied with the progress made by the six Working Groups set up last year and the two additional groups now being formed.

The agreements concluded with Belgium and the Federal Republic of Germany have complemented the Department's economic and trade missions and have resulted in new interest in Canada as a supplier of equipment in such areas as construction, environmental protection, oceanology, data processing, communications, metallurgy, transportation, power development, forestry, oil and gas.

Development of regional electrical and electronic standards and industrial certification practices in Europe — not to mention a trend toward their adoption in Africa, Asia and South America — could significantly reduce export opportunities in this area. Because these standards and practices lack some of the advantages of the North American experience, a considerable effort is being made to influence the situation in its formative stage, even to the extent of recommending Canadian association with Europe in this field.

Domestic Environment: In May 1971, Parliament passed the Textile and Clothing Board Act, establishing the administrative framework for implementing the textile policy announced earlier. The Textile and Clothing Board is responsible for conducting enquiries to determine whether imports of textiles and clothing goods are causing or threatening to cause serious injury to Canadian production. If such injury exists or is threatened and if Canadian textile and clothing firms put forward acceptable plans for improving their competitive ability, the Board may recommend special protective measures.

Last fiscal year, the Textile and Clothing Board conducted enquiries into cotton and polyester/cotton yarn, acrylic yarn, certain knit fabrics, broad woven polyester filament fabrics, sweaters and men's shirts. Export restraint agreements covering some 20 textile and clothing items were concluded with seven countries. A global quota was applied to low-priced shirts, and imports of certain types of cotton yarn were brought under a mixed export restraint-quota system.

The Department continued its studies of a number of industry sectors including petro-chemicals and

footwear, and in co-operation with industry, began studies of the pulp and paper, synthetic fibres and heavy electrical equipment sectors. It also participated in OECD studies of the textile, pulp and paper, aeronautics and aluminum industries. Other activities of note included studies in the field of venture capital and reviews of policy in areas of direct concern to Canadian industry, including taxation, labour, legislation, competition policy, tariffs, packaging and labelling regulations and environmental protection measures.

The electrical and electronics industries have in recent decades enjoyed a rate of growth surpassing that of manufacturing as a whole. Domestic demand now approaches 10 per cent of that for all manufacturing. In the past, some 80 per cent of this growing demand was met from domestic sources working under a fairly high tariff (22.5 per cent). Reduction in tariffs following the Kennedy Round, and increased concentration of industry in Europe and Japan, allowed imports to capture about a third of the market. Specialization and rationalization helped Canadian industry adjust to the situation, and losses in the domestic market were offset by exports. Fiscal 71/72 however, was significant in that this export growth was halted while imports continued to increase. The combination of rationalization and a fall in exports led to a fall in employment from 150,000 in 1970 to 145,000 in 1971. Discussion continues with industry to identify the subsectors where the best promise exists for innovation and increased exports and to determine what can be done to recapture part of the domestic market.

One bright spot in the picture was suspension of the Excise Tax on home electronics — the culmination of four years' effort by the Department. This led to a sharp increase in consumer consumption in 1971/72 and a more buoyant home electronics industry.

The Department has also been working closely with the Canadian petro-chemical industry in an effort to improve the latter's prospects. The main problems confronting this important sector of the economy appear to be the high cost of raw materials and a lack of adequate markets to support large-scale production facilities.

Though several Canadian companies continued to produce major airframe components and equipment under subcontracts from foreign primes, the aircraft and parts industry experienced another year of reduced business volume and retrenchment, leading to a fall in employment. This was due to a combination of factors, including a delay in launching a new STOL program, termination of military production contracts, and a softening in the export market for light transport aircraft. Northern transportation requirements however, indicate a promising domestic market for multi-purpose hovercraft and utility transport planes. By early 1972 there were signs of an upswing in the market for general-aviation aircraft. The Department is examining ways and means of restructuring and rationalizing the industry, while an interdepartmental task force studies the broad aspects of a national STOL program.

1971/72 was a year of recovery for Canadian shipyards; total value of vessels under construction and on order was \$320 million. New building under way in eight of 14 yards receiving departmental assistance consisted of oil tankers, offshore oil-drilling rigs and support vessels worth \$175 million — a clear indication of the growing importance of offshore oil exploration and exploitation activities to the Canadian marine industry.

The Preparatory Commission for Metric Conversion was created by Order in Council on June 10, 1971. The Commission, whose task it is to plan, co-ordinate and implement the process of metric conversion in Canada, held its first meeting in January, 1972. Ten steering committees are being formed, and more than 100 national, industrial,

consumer, service, labour, trade, agricultural, professional and educational associations have been asked to set up planning committees to study the impact of metric conversion, and to suggest suitable timetables for their sectors.

Conversion will be made easier by a new metric information storage and retrieval system capable of providing within minutes the information that will often be needed by commissioners, committees and staff. Also being devised by the Metric Commission is a public information and education program to be synchronized with the conversion timetable. Most sectors of the economy have reacted favourably to Canada's adopting an international system of units that will simplify study, expand trade and improve communication.



Fiscal 71/72 was a year of recovery for the Canadian marine industry

STATEMENT OF EXPENDITURES

Trade Industrial Program		
Vote		1971-72
1	Operating expenditures	\$37,700,051
5	Textile & Clothing Board — Operating expenses	150,127
10, 10a, 10b	Grants and Contributions	93,174,892
11a	GAAP Insurance losses	7,803,779
Statutory	Minister of Industry, Trade and Commerce — Salary and motor car allowance	17,000
Statutory	Pensions to former locally-employed employees of Offices Abroad	648
Statutory	General incentives to industry for the expansion of scientific research and development in Canada	31,278,402
Statutory	Employment Support Board — Administration expenses	84,370
Statutory	Employment Support Board — Grants	11,068,163
	Loans to assist manufacturers of automotive products in Canada	6,409,562
	Loans to assist Canadian defence industry with plant modernization	9,396,180
	Loans to assist the pharmaceutical industry in the manufacture and marketing of lower-priced prescription drugs	347,015

Tourism Program		
25, 25a	Operating expenditures	11,603,303

World Exhibitions Program		
30	Program expenditures	126,710

Grains Program		
Statutory	Payment of carrying costs of temporary wheat reserves	82,621,598
Statutory	Payments in connection with the Prairie Grain Advance Act	3,513,422
Statutory	Payments in accordance with the Prairie Grain Provisional Payments Act	21,039
28b	Deficit on Pool Accounts	11,210,107
27a	Interest payments pursuant to Temporary Wheat Reserves Act	2,658,999

STATEMENT OF REVENUE

Return on Investments

	Interest on loans to Export Development Corporation	\$22,026,161
	Interest on loans to assist manufacturers of automotive products	2,233,700
	Sundry	174,607

Refunds on previous year's expenditures

	Royalties re Otter aircraft	108,810
	Repayments re PAIT	151,809
	Return of Assistance Vote Contributions	226,834
	Sundry	487,473

Miscellaneous

	Sundry	371,926
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MARKET DEVELOPMENT

World events in 1971/72 served to highlight two salient facts: 1) Canada's dependence on foreign trade is the single most important factor governing domestic economic stability — a factor over which Canada has little control; and 2) traditional trade patterns can no longer be taken for granted. Currency realignment, an enlarged European Economic Community and a shift in the trading policy of the United States have contributed to a climate of keen competition in international trade, making it imperative that Canada look to new export markets.

For these reasons the Department's market development activity took on increased importance during the past fiscal year. A new direction emerged, that of assisting Canadian industry to identify and adapt to changing world conditions. Stronger emphasis was placed on the promotion of Canadian products and capabilities through a comprehensive market approach; and a new Export Market Development Program was launched to provide incentives to Canadian firms to increase marketing activity beyond normal levels.

Market Development services include:

- Analyses of international trade trends and studies of new opportunities for Canadian exporters;
- Continuing day-to-day assistance to exporters through the Department's offices in Canada and abroad;
- Direct promotional support in the form of trade fair participation, trade missions, visiting buyers programs, in-store promotions and export publicity programs;
- Indirect market support through the Program for Export Market Development, which offers industry financial incentives to expand market development activities.

Field Services: Expanding market opportunities in 1971/72 prompted the Trade Commissioner Service to open new offices in Cairo and Algiers. By year-end there were 243 trade officers stationed in 57 countries. In Canada, the Department has a network of eight regional offices serving the needs of Canadian manufacturers and exporters.

Promotional Programs: During the year the Department helped 457 Canadian companies to participate in 33 international trade fairs. Fifty-two Canadian businessmen and officials took part in five outgoing trade missions to 10 different countries, while 91 foreign businessmen visited Canada in eight incoming missions.

The Minister led high-level missions to Japan, Algeria, People's Republic of China and Federal Republic of Germany. The Minister and officials also visited Korea and Israel. The visit in June, 1971, of a Japanese economic mission provided an opportunity for Ministers and senior officials to impress upon senior Japanese businessmen the need for improved access to the Japanese market for Canadian manufactured goods.

The Department also organized the visits of 20 delegations to Canada, and 576 buyers were introduced to Canadian products under the program for the sponsorship of individual visits by trade delegates.

A continuing program of export publicity was undertaken to better acquaint potential foreign buyers with Canadian capabilities and products and to generate direct sales prospects for Canadian firms. The Department's export promotion newspaper *Canada Courier*, which gives international buyers exposure to exportable Canadian goods and services, drew more than 9,000 enquiries in 1971/72 as compared with 5,000 the previous year. Some 26 new export promotion directories and catalogues promoting various sectors of Canadian industry were produced and distributed abroad. *Foreign Trade and Commerce extérieur*, the Department's magazines of market information for Canadian businessmen, were renamed *Canada Commerce and Commerce Canada*. Both switched to controlled circulations of 18,000 and 2,000 respectively and their domestic content was enlarged.

Export Market Development Program: This highly flexible approach to marketing assistance is based on the premise that the offer of financial incentives might induce Canadian firms to increase their marketing activity and, in turn, diversify and boost Canadian exports. By sharing half the costs of a marketing proposal, the Department helps a company take advantage of opportunities it might otherwise pass by. It was felt that indirect assistance — in the sense that the Department would provide money while not becoming directly involved in the marketing effort — might prove the most efficient use of the funds available. A sum of \$2.3 million was committed to the scheme last fiscal year.

There are four parts to the program:

- Incentives for participation in capital projects abroad.
- Market identification and market adjustment.
- Incentives for participation in trade fairs abroad.
- Incoming foreign buyers.

Initial response to the scheme has been very positive.

Export promotion activities supporting the textile, clothing and footwear industries were conducted in Europe, Britain, the United States and Canada, resulting in an 8.4 per cent increase in exports last year to \$228 million. In co-operation with the Department of Industry and Commerce of the Province of Quebec, a productivity and marketing improvement program was established for the leather footwear industry. The Department commissioned an extensive consultant's study of the industry's markets and marketing practices, and seminars were held to analyze the report and its recommendations. Consultations were initiated with individual firms to develop programs to strengthen their productivity and marketing efforts.



Ready-to-wear fashions from Canada are promoted and sold on world markets

Canadian books at the International Book Exhibition in Dallas



A major five-year market development program aimed at increasing Canada's share of the overseas softwood lumber and plywood markets was implemented on an equal cost-sharing basis with the Council of Forest Industries of British Columbia and the B.C. Department of Lands, Forests and Water Resources

As part of the six-point program to assist book-publishing announced by the Secretary of State on February 11, 1972, the Department will spend \$500,000 a year for three years beginning in 1971/72 to boost Canada's exports of books. Annual expenditures will include \$100,000 for participation at major international book fairs and \$400,000 for the establishment and operation of book centres in the U.S., Britain and continental Europe.

The Department helped Canadian machinery manufacturers, engineers and consultants to arrange sales throughout the world, particularly in developing countries. It played an important part in the sale of boilers to Australia and Mexico; gas turbines to Venezuela and Abu Dhabi; and in large sales of hydraulic turbines to Colombia, Brazil and New Zealand.

Complete pulp and paper plants were shipped to Argentina and New Zealand, and engineering services and equipment were supplied for projects in Kenya, Brazil and Mexico. In the mining and metal processing field, Canadian consultants and equipment suppliers participated in major projects in Argentina, Chile, Peru and Morocco.

Engineering studies were undertaken for: hydro sites in Ethiopia, telecommunications systems in West Africa, teak forest developments in Java, an underground rail loop in Australia, a thermal power station in Singapore, and a forest industry project in Fiji.

The Department was active in the promotion of forestry and logging equipment in Indonesia and the United States; farm machinery and agricultural implements in the U.S.S.R. and the U.S.A.; and tobacco farming equipment in South America and Cuba. Special efforts were made to promote sales of construction machinery in Turkey and Iran, Nigeria and other developing African countries.

Work continued on short- and long-term marketing programs for electrical and electronic appliances, particularly consumer products and components. Three government-sponsored missions brought American buyers to see Canadian competence in this area and significant export sales ensued for Canadian companies.

Canada's aircraft and hovercraft industries were subjects of intensive publicity campaigns at the Paris Air Show in the Spring of 1971, and at Transpo' 72 in Washington. Main exhibits were STOL aircraft and a new ACV.

Oceanology International '72, a conference and exhibition, which took place March, 1972, in Brighton, England, marked the Department's first important entry into a United Kingdom trade exhibition in the field of oceanology and marine science. More than 11,000 delegates from 47

countries attended, making the event the biggest of its kind ever held in the world. Nineteen Canadian companies took part in the fair, giving considerable publicity to the country's marine industry. Exhibits featured a variety of equipment related to underwater and offshore activity, including submersibles, offshore drilling rigs, support vessels, and underwater petroleum production systems.

Defence export contracts placed with Canada by NATO and other friendly countries amounted to \$350.9 million in 1971/72, while Canada purchased defence products worth \$192.2 million abroad during the same period. Canada co-operates with her allies in defence planning through research, development, production and sharing programs co-ordinated by the Department. Canadian defence products sold abroad often have civilian applications too and represent advanced technology in communications, navigation and transportation.

During the year, a number of market studies were carried out in a wide range of industry sectors. Prominent among these were: a study of market opportunities in the Middle East for iron and steel products; a survey of the European market for municipal-type transport equipment; an analysis of North American demand (up to 1980) for compact electronic appliances; and market studies for various sectors of the machinery industry. A survey for Western coal was conducted in six European countries and prospects are encouraging. Last year, coal valued at \$4 million was shipped from Vancouver to Europe. A survey of Canadian users of high nickel alloys indicated a small but viable market.

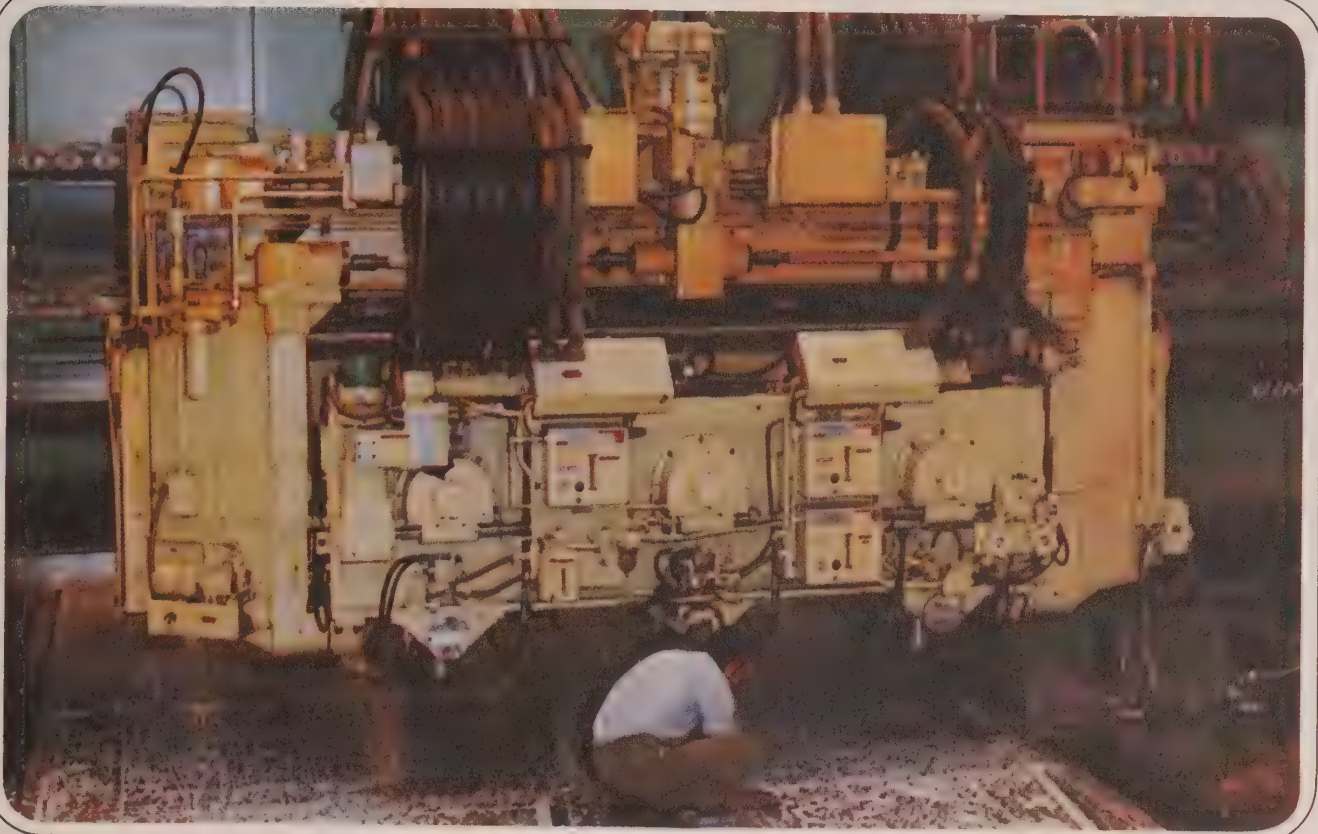
Grains Program: Credit and aid programs, together with very large cash sales, made possible a new record level of grain exports in fiscal year 1971/72.

Payments of interest charges on cash advances to grain producers in western Canada under the Prairie Grain Advance Payments Act amounted to \$3,513,422 last year.

Returns from the sale of barley delivered by western producers during the past fiscal year did not equal government-guaranteed initial payments and a deficit of \$11,210,107 was paid to the Canadian Wheat Board.

Carrying costs and interest payments made under the Temporary Wheat Reserves Act amounted to \$85,280,597 in fiscal 71/72 and included some payments which would normally have been made in the previous fiscal year.

The Government's credit program for grain continued to facilitate sales of wheat and barley. There were also large shipments of wheat, flour, and other grains under Canada's food aid programs.



Producing wing-skin panels for Mercure II aircraft — part of an important contract awarded recently to a large Montreal aircraft company by Dassault-Breguet of Paris, France, a leading aerospace manufacturer

Grains — a consistently prominent export



TOURISM

1971/72 was a busy year for the Department's Office of Tourism. The industry, which employs some 780,000 Canadians, is an important source of national revenue. An estimated 38.9 million tourists came to Canada last year, spending about \$1.3 billion here — just under the 1967 record — while Canadians travelling in Canada spent even more.

As part of its efforts to achieve sustained and orderly growth of tourism in Canada, the Department conducted two massive research studies in 1971. The Canadian Travel Survey provided valuable data on travel patterns and spending of Canadians by sampling some 12,800 Canadian families. The Department also completed a review of the capital requirements of the accommodation sector of the Canadian travel industry. This survey covered some 21,000 establishments across the country.

Last fiscal year's marketing budget of \$10.5 million was spent on programs to promote travel to Canada from the United States and overseas, as well as on a new program to promote travel in Canada by Canadians. The latter — called the "Explore Canada Program" — has important social and economic implications. It will help expand travel facilities while lessening the country's deficit-on-travel account; and it should bring about a better sense of national identity. Tours within Canada were provided — for the first time — for 100 Canadian travel agents and automobile club counsellors, and special attention was given to helping the provinces and industry sectors to organize more package tours, especially in the off-season periods. Other promotion highlights

included print and electronic advertising campaigns worth \$3.6 million. Editorial material and photographs were sent to 800 travel editors in North America; some 34,000 slides and prints were distributed; and Canadian travel films were shown to about 230 million viewers. Audio-visuals on 10 subjects were produced in English and French and a major multi-image presentation was staged in 22 U.S. cities.

Emphasis was placed on making Canada's tourist attractions better known to members of the travel trade in other countries. In collaboration with major carriers, audio-visual seminars were staged in Western Europe and Japan. An estimated 2,500 ski club executives, outdoor writers, tour operators and travel agents attended 17 Canadian ski seminars in the U.S. The Department also participated in 16 major U.S. sports and travel shows, resulting in 30,000 travel enquiries and extensive media exposure to millions of potential visitors to Canada.

With the co-operation of the provinces, the carriers and the private sector of the travel industry, more than 200 guest parties (ranging in size from one to 50 individuals) of travel writers, photographers, television producers and lecturers were brought to Canada. Convention promotion was expanded to include specialized markets such as corporate meetings and sales incentive tours.

The annual Federal-Provincial Conference on Tourism — for the second time since its inauguration in 1946 — was held outside Ottawa, in Victoria, B.C. in honour of the centenary of that province's entry into Confederation.



Canada offers travellers a unique vacation experience



WINDING UP THE AFFAIRS OF THE CANADIAN CORPORATION FOR EXPO '67

Under the provision of the Expo Winding-Up Act, steady progress is being made in liquidating the assets and liabilities of the former Canadian Corporation for the 1967 World Exhibition.

A sum of \$33,602 — the balance owed by the corporation's insurers for excess insurance premiums paid to them — will be collected and deposited in the Suspense Account early in the new year. As soon as the companies are able to

establish the final amount of their liabilities under the insurance contract, settlement will be made with the Department for any additional amount due.

Disbursements covering outstanding accounts and legal expenses totalled \$79,461 of which \$40,191 were provided out of Departmental funds. If funds are available after liquidation of all other liabilities, they will serve to reimburse the Department.

MINISTER'S ADVISORY COUNCIL

During the past fiscal year, the Minister convened four meetings of his Advisory Council, a body that reviews departmental policies, programs and services in the light of changing needs and conditions at home and abroad. Membership is rotational and is representative of trade, industrial and regional interests.

At its meeting in June 1971, the Council met with an economic mission from Japan and discussions focused on ways and means of furthering economic relations between the two countries. A special meeting in September explored the likely impact of the U.S. economic measures, particularly the 10 per cent surcharge on imports, announced in August.

The Council's regular meeting in October featured a speech on the Competition Bill by the Honourable Ron Basford, Minister of Consumer and Corporate Affairs. Mr. Bernard Wilson, Deputy Minister of

Labour, described the intent of the proposed Amendments to the Canada Labour Code, and Mr. Stephen Gossage, Chairman of the Preparatory Commission for Metric Conversion, reported on the progress that had been made regarding the matter of metric conversion in Canada since the Government issued its White Paper on the subject in January, 1970.

At the February meeting, council members discussed recent developments in Canada-U.S. relations and reviewed current trade negotiations between the two countries. The Minister indicated that the Government would be preparing an industrial strategy for Canada and solicited members' views as to how such a strategy might best be developed. Mr. Pepin gave the Council his impressions of the results of the Ministerial Mission to Japan and Department officials reported on the proposed Program for Export Market Development and the newly proposed Management Assistance Program.

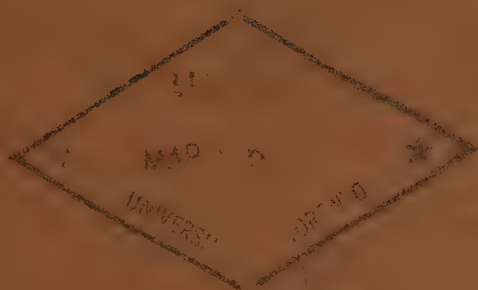
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 Industry, Trade
and Commerce Industrie
et Commerce

annual review

1973

The Department of Industry, Trade and Commerce Annual Review

Canada's future prosperity and the achievement of its economic objectives will continue to depend on its ability to trade and to meet the challenge of international competition. This challenge calls for strong efforts to improve industrial efficiency and over-all performance in all facets of production and marketing. The Department's trade and industrial programs, geared to these objectives, can supply the Canadian business community with a complete range of services and assistance, from research, design and development, through production to marketing. Policies to encourage the establishment and growth of small Canadian businesses, Canadian-based multinational corporations and consortia for international marketing are being emphasized.

As well as developing programs that have a general application, the industrial thrust of the Department is directed to establishing programs or strategies that are tailored to the needs of individual industry sectors. To assist in this work, the regional offices across the country provide a vital link with depart-

mental headquarters in Ottawa for businessmen, provincial officials, trade associations, banks and other organizations. The regional offices have been strengthened as part of the recent re-organization of the Department and given greater autonomy in the administration of a number of programs on a regional basis. Their on-the-spot assessment of the regional point of view will greatly assist the Department to respond to the most pressing needs of businessmen in every area of Canada.

During the April 1, 1972, to March 31, 1973, fiscal year, the Department progressed steadily toward accomplishing its industrial and trade objectives. This report does not describe all the Department's activities, but outlines the main programs and initiatives under four broad headings: product innovation, production efficiency, international-domestic environment, and market development. It also touches on the tourism program and the meetings of the Minister's Advisory Council.

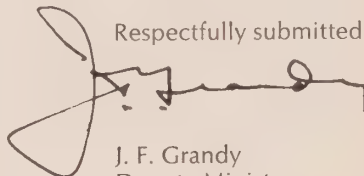
OTTAWA

The Honourable Alastair W. Gillespie
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual review of the
Department of Industry, Trade and Commerce, covering
activities during the period April 1, 1972 to March 31, 1973.

Respectfully submitted

A handwritten signature in dark ink, appearing to read 'J. F. Grandy'. The signature is fluid and cursive, with a large loop at the beginning and a trailing flourish.

J. F. Grandy
Deputy Minister

OTTAWA

To His Excellency
The Right Honourable Roland Michener, C.C.
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency the
annual review for the Department of Industry, Trade and
Commerce covering the period April 1, 1972 to March 31, 1973.

A summary of the Department's policies, activities and
services rendered is laid before Your Excellency.

Respectfully submitted

A handwritten signature in dark ink, appearing to read 'Alastair Gillespie'. The signature is cursive and somewhat stylized, with a large initial 'A'.

Alastair W. Gillespie
Minister of Industry,
Trade and Commerce

DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE



PRODUCT INNOVATION

Most of the products now manufactured in Canada were unknown at the turn of the century, just as thousands of products that will be on the market in the year 2000 do not exist today. Keeping pace with technological advances is essential to long-term economic growth. To help ensure a continuing flow of new and improved products, processes and services the Department:

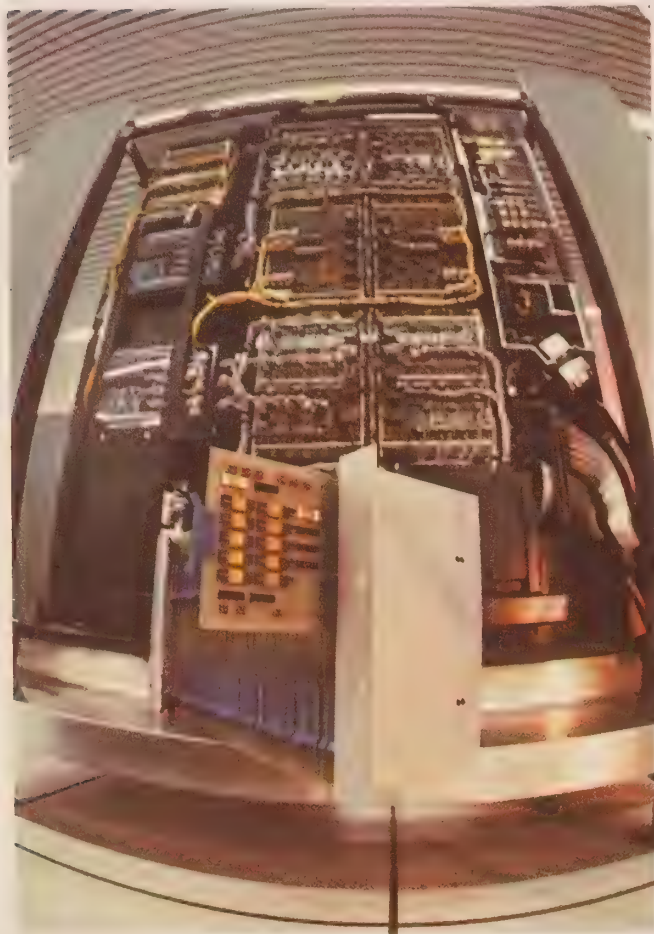
- Formulates and administers incentive programs designed to stimulate technological innovation.
- Establishes and supports research institutes and centres.
- Provides industry with specialized advice and information on scientific developments and techniques.

The Department also chairs the Secretariat of the federal government's Inter-departmental Committee on Innovation whose function is to evaluate and recom-

mend government policies and programs intended to further industrial research and development.

Incentive Programs: Under The Industrial Research and Development Incentives Act (IRDIA) 1,026 grants were authorized amounting to \$32.1 million during fiscal year 1972/73. A total of 3,706 grants worth \$137.6 million have been made since the program's inception in July 1967 up to March 31, 1973. The number of applications has increased annually from 266 in 1967/68 to 1,072 in 1972/73, for a total of 1,880 companies making 4,529 applications during the five year period. IRDIA is available without prior approval to all Canadian corporations carrying out research and development in Canada. Most of the applications were made by small businesses and in many cases this was the first contact between the company and the Department. Last year, 328 applications were received from companies that were new to the program.

The Program for the Advancement of Industrial Technology (PAIT) is another incentive to help Canadian industry to grow and become more efficient.



The Department helps to ensure a continuing flow of new and improved products.

During 1972/73, PAIT allotted \$32.7 million to 140 new projects: actual cash expenditures for the year reached \$26.5 million. At the end of March 1973, commitments carried forward into fiscal 73/74 exceeded \$65 million. Financial assistance is in the form of a grant and generally amounts to 50 per cent of the cost of an approved project. Approval is based on the intent to develop new or improved products or processes incorporating a substantial degree of innovation and offering good commercial prospects. The average term of development projects is approximately three years. Since PAIT was launched in 1965, 104 projects have been completed and classed as successful. Domestic and foreign sales resulting from these projects are expected to exceed \$792 million by the end of 1977.

Through the Defence Industry Productivity Program (DIP), the Department shares costs of selected industry projects, including development of Short Take-off and Landing (STOL) and Vertical Take-off and Landing (VTOL) aircraft, turbine engines, flight

simulators, landing gear, flight data recorders and components for large transport aircraft. Electronics projects have generally included communications equipment such as UHF transceivers, radio relay equipment and integrated telecommunications systems. Important schemes for development and production of micro circuits and printed circuits have also been devised, and DIP has supported the acquisition of advanced production, testing and quality-control equipment by some 60 companies engaged in various fields of precision metalworking.

Through its various incentive programs the Department supported technological innovation in a wide range of industry sectors in 1972/73, including pulp and paper, chemicals, electrical and electronics, metals and minerals, heavy machinery, and transportation. Electrical and electronics projects emphasized avionics and ground controls for STOL aircraft, communications equipment and computer data systems, high voltage direct current systems, and intermediate capacity transit systems. Other project



highlights included augmentor wing technology, air-cushion vehicles and landing systems, the DHC-7 quiet STOL airliner, small turbine aero engines, recreational vehicles, airport equipment, railway locomotives, and development of light amphibian transport for search and rescue operations, fire-fighting, pollution surveys, and cargo transport. Support was given also to development of a new type of portable pipe mill, a new process for continuous casting of copper and copper alloy strip, an outstanding new paper-making machine, and a special foundry for precision-cast components for the aerospace and defence industries.

Close liaison with industry and provincial departments of industry and commerce has increased the interest in design services throughout Canada. The Industrial Design Assistance Program (IDAP) supported 26 projects in 1972/73 with a total contribution of \$570,000. Grants totalling \$194,209 were used for design research and educational seminars, and 24

scholarships amounting to \$64,012 were awarded for advanced studies in industrial design. The successful presentation of design management courses initiated two years ago at Montreal's Ecole des Hautes Etudes Commerciales and at the University of Manitoba in Winnipeg will be followed by a third course at the University of Toronto.

The first Design Canada Unit Masonry Award for creative use of masonry in construction and the third National Design Council Chairman's Award for Design Management were successfully concluded in November 1972. A promotional assistance program to improve design in tourist accommodation is now in progress. Approximately 150 requests were received from industry for assistance through the Record of Designers.

Research Institutes and Centres: The industrial Research Institute program, which encourages universities to undertake research and development



Through its various incentive programs, the Department supports technological innovation in a wide range of industry sectors, including STOL aircraft.

for industry on a contract basis, supported two new institutes in 1972 — the Food Industry Research Institute at the University of Guelph and Ryerson Applied Research Limited at Ryerson Polytechnical Institute in Toronto. Grants from the Department cover costs of establishment and administration during the initial years of operation.

A related program helps Canadian universities and other organizations to establish centres of advanced technology in specific areas of importance to Canadian industry. One new centre was established last fiscal year — the Centre for Ocean Engineering at B.C. Research. The Department pays the costs of equipment, materials and salaries of professional staff during the initial years of operation.

The Department has continued its university grants program aimed at obtaining information for policy-making purposes and at enhancing academic interest in technological innovation as it occurs in Canada.

Its support of projects involving studies of entrepreneurship has already had substantial impact. Emphasis has also been placed on problems related to venture capital and technology transfer.

Sulphur Development Institute: The Department's initiative in establishing an organization to develop new uses for sulphur as one means of solving a surplus supply problem led to the incorporation of the Sulphur Development Institute of Canada (SUDIC), a non-profit organization that will be located in Calgary and will begin operations with a \$1 million budget. Half this amount will be provided by the federal government and half will be shared by the government of Alberta and at least 22 sulphur producing companies. Although SUDIC's principal objective is to promote rapid commercial development of large-volume uses for sulphur, it will also help to establish new Canadian industries based on sulphur and to upgrade this non-renewable resource into new and improved products.



Industrial design is an important part of the innovation process.



PRODUCTION EFFICIENCY

One of the greatest challenges facing Canadian manufacturers today is that of achieving the highest possible degree of production efficiency. Recognizing this, the Department continues to administer a comprehensive program designed to help Canadian enterprises to operate more efficiently and to successfully withstand foreign competition. To achieve this goal, the Department:

- Analyzes supply and demand patterns in domestic and world markets.
- Assesses the effectiveness of production methods at home and abroad.
- Provides specialized advice and information to industry.
- Operates incentive programs designed to help Canadian firms improve their efficiency.

Research and Analysis: The industry sector branches and other units of the Department, often in conjunction with industry, carry out and sponsor a continuous program of research and analysis to determine opportunities in different industry sectors and to gauge their competitive potential, regionally and internationally.

Research conducted during the past year included studies of productivity in the manufacturing and service sectors, and inter-firm comparisons designed to help individual companies ascertain how their productivity and profitability compare with those of other firms in the same line of business, why they differ and how they can be improved. The impact of tariffs and the effects of scale on productivity were explored; a second study of the electrical wire and cable industry was completed; and new studies were undertaken in two sectors of the clothing industry. The Department also engaged in research on the electrical requirements of the proposed Mackenzie Valley pipeline and on the feasibility of developing a fibre-reinforced plastic pipe for the transmission of oil or gas. Other studies and technical surveys probed such diverse areas as general aviation, urban transportation, municipal and airport equipment, pulp and paper, railway rolling stock, rail retaining clips, construction, containers, and various sectors of the automotive industry. In addition, the Department sponsored a number of technical missions to study advanced manufacturing methods and facilities abroad.

Incentive Programs: Since its inception in August 1968, the General Adjustment Assistance Program



The Department helps Canadian enterprises to operate more efficiently and to improve their competitive position in domestic and world markets.

(GAAP) has authorized insurance on 103 loans valued at \$73.9 million to help finance restructuring programs. Insurance on 23 loans amounting to \$15 million for expansion programs involving a total of \$24 million was approved in fiscal 72/73. It is estimated that export and domestic sales directly attributable to the program last year will generate additional revenue of approximately \$180 million and provide employment for 3,700 persons.

GAAP was extended in March 1973 to cover — without the requirement of Kennedy Round linkage — all manufacturers who want to restructure their operations or to set up new ones in order to compete effectively in foreign markets. The extension provides also for loan insurance and consulting assistance to firms in the service sector. GAAP assistance continues to be available to manufacturers threatened or seriously injured by imports.

As part of its efforts to improve Canadian management capabilities, the Department approved financial assistance totalling \$197,900 last year to help nine different business and professional associations to develop or revise management training courses. The Counselling Assistance to Small Enterprises Service (CASE) was expanded with the launching of a second

pilot project. CASE provides a much needed counselling service to small businesses in the manufacturing and tourism sectors, mainly by employing the talents of retired business managers. Consideration is being given to extending the service on a national basis.

During fiscal 72/73, the Program to Enhance Productivity (PEP) supported 64 projects with a total commitment of \$905,200 as compared with 53 projects and \$811,400 the previous year. PEP underwrites up to 50 per cent of the cost of examining the feasibility of implementing significant and imaginative projects aimed at improving production efficiency. The average study is completed within six months and the Department's contribution ranges from a few thousand dollars to a limit of \$50,000. Support has been given to projects in all regions of Canada and in all secondary manufacturing and processing industries. Industries making extensive use of the program last year included the apparel, footwear, foundry, metalwork, machinery and food processing sectors.

The Department processed during 72/73 some 18,000 applications under the Machinery Program (MACH) and total remissions amounted to \$90 million.



A Market Data Generation System is being developed to assist Canadian companies in the metals industry to improve cost savings and increase sales.

Under the Automotive Assistance Program (AAA), the General Adjustment Assistance Board authorized loans worth a total of \$1,450,000 in 1972/73 to Canadian manufacturers of original automotive parts and equipment. Lending activity under the Automotive Manufacturing Assistance Regulations ceased on July 1, 1973. Such assistance is now available by guarantee under the General Adjustment Assistance Program. Last year, 210 workers in the automotive industry were certified eligible to apply for Transitional Assistance Benefits.

During fiscal 72/73, the Department processed three applications for aid under the Pharmaceutical Industry Development Assistance Program (PIDA) and approved three loans. Two loan offers amounting to \$360,000 were accepted. Loans in force during the year totalled \$1,988,945.

Other Developments: A significant step towards improving productivity in the manufacture of clothing will be the establishment under departmental auspices of a computerized pattern grading and marker planning centre that will eliminate the need for pattern making. The centre was planned in 1972.

A Market Data Generation System is being developed to assist Canadian companies in the metals industry to improve cost savings and increase domestic and foreign sales through better production planning and budgeting. In addition to regular statistical reports, a metals industry directory is being established to provide salesmen in the industry with a list of potential customers for their products.

Progress was made during the year in encouraging consolidation, modernization and specialization in the electrical/electronic consumer appliance sectors to bring them closer to an economical scale of production and marketing. Special emphasis was placed on the procurement of Canadian electronic equipment by government.

Significant opportunities for Canadian participation in large foreign turnkey projects such as subways are not being exploited by Canadian industry mainly because no Canadian company is strong enough financially to accept the monetary risks involved. The Department is therefore devising a plan to overcome the problem, and positive results are anticipated by late 1973.

MINISTER'S ADVISORY COUNCIL

During the past fiscal year, the Minister convened two meetings of his Advisory Council, a body that reviews governmental policies, programs and services in the light of changing conditions at home and abroad. Membership is rotational and is representative of trade, industrial and regional interests.

At the Council's meeting in June, 1972, the Honourable Jean-Luc Pepin reviewed with Council members further developments that had occurred in Canada-U.S. trade negotiations, and a wide-ranging discussion was held on the present and possible future nature of Canada's relationship with the United States. Action being taken by Canada and Japan following

the Ministerial mission to Japan, the question of EEC enlargement and the matter of the Canadian Mission to Europe were also discussed. Senator Lamontagne summarized the main recommendations of the Report to the Senate Special Committee on Science Policy, and solicited reactions and comments from Council members. Mr. Pepin also asked the Council for advice regarding the proposed Foreign Takeovers Review Act (Bill C-201).

At the December meeting, the Honourable Alastair Gillespie discussed with Council members a number of current issues, including wage and price controls, unemployment insurance measures, and the proposed foreign takeovers legislation. Members provided the Minister with comments on the major developments in their respective industries.

INTERNATIONAL / DOMESTIC ENVIRONMENT

Canadian processors and manufacturers are affected by a wide variety of business factors beyond their direct control but nevertheless vital to their growth potential. Domestically, such matters as import policy, taxation policy and competition policy affect the direction and rate of industrial development. Internationally, all trade barriers, whether tariff or non-tariff, control to an important extent the access to foreign markets for Canadian products.

Though these environmental factors are managed in large part by other government agencies in Canada, and by foreign governments and bodies, it is the Department's responsibility to draw attention to their impact on Canadian trade and industry and to recommend actions and policies that are beneficial to Canadian interests.

International Environment: The Department was involved in a wide range of activities during the year

as continuing efforts were made to improve the international trade environment for Canadian goods and services. The meeting between Prime Minister Trudeau and President Nixon last April provided a background for continued contact between the Canadian and United States governments on outstanding problems. The main points at issue related to the Automotive Products Agreement, the Defence Production Sharing Arrangement, the Michelin tire countervailing duty action, and several important anti-dumping investigations, including aluminum ingot and sulphur. The Minister met with the U.S. Secretary of the Treasury last year and, to maintain the dialogue, arranged for a series of meetings between officials. The customs and administrative practices of both countries were jointly reviewed last fall and steps are being taken to meet problems which were identified at that time. Both countries also discussed areas of mutual concern in trading relations with other countries and exchanged views on the forthcoming multi-lateral trade negotiations.



The Canadian Trade Exposition in Peking was accorded the unusual honour of an official visit by Premier Chou En-lai.

The Department continued to play a key role in efforts to develop closer relations with the European Economic Community. A mission of senior officials to the Community in June 1972 was designed to further particular Canadian trade interests and to develop closer co-operation. Mission members explored the possibility of concluding a comprehensive agreement on trade and economic relations between Canada and the EEC. In November, a group of Community officials visited Ottawa for follow-up discussions.

Accession of Britain, Ireland and Denmark to the European Community became effective January 1, 1973. One of the consequences was the termination by Britain of the 1937 Trade Agreement with Canada that provided a basis for the exchange of tariff preferences. The terms of British accession are now being examined in the GATT in preparation for negotiations with the EEC on compensatory adjustments.

Britain's decision to enter the European Common Market indicated also that the separate bilateral trade agreements between the United Kingdom and Canada, Australia and New Zealand would be terminated, jeopardizing the contractual basis for certain preferential tariffs exchanged between the three latter countries. The future of these preferences was discussed at separate meetings between Canadian, Australian and New Zealand officials.

The possible association of the Commonwealth Caribbean with the EEC and the far-reaching implications this would have for trade relations with Canada led to a proposal by the Caribbean heads of government, early in 1973, that discussions be held with Canada, probably in the fall of 1973.

The Department again focussed attention on the People's Republic of China, an important market for Canadian products — \$258.6 million in 1972, up 27 per cent from 1971 (mainly wheat). Considerable efforts were made to promote trade and increase business contacts through trade fairs, trade missions and ministerial exchanges. A highlight was the Canadian Trade Exposition in Peking where more than 200 Canadian firms were represented. The Exposition was accorded the unusual honour of an official visit by Premier Chou En-lai. Other major events included the visit to Canada of the Chinese Minister of Foreign Trade, the Chinese Petroleum Mission to Canada in October/November, 1972 and the Canadian reciprocal mission in April, 1973. Both countries have profited from these commercial exchanges and plan to continue to pursue common objectives through bilateral meetings.

The Department played an important role in talks held during the visit of President Echeverria of

Mexico, at the end of March, 1973. Agreement was reached on further steps to facilitate trade and economic relations between Canada and Mexico, and it was decided to continue with measures taken following the Canada-Mexico Ministerial meeting of October 1971 and a Canada-Mexico Trade Seminar sponsored by the Department in Toronto in May 1972.

Regional integration in Latin America advanced during the year with the accession of Venezuela to the sub-regional Andean Group on February 13, 1973. Developments under the Cartagena Agreement (Bolivia, Chile, Colombia, Ecuador, Peru, and most recently Venezuela are signatories) will have substantial long-term effects on Canada's trade and investment in the area.

As a follow-up to the Canada-Japan Ministerial Mission in the spring of 1972, an informative debriefing session was held in late July. This session discussed prospects for trade with Japan, the Japanese import regime, and the complicated distribution system in Japan that Canadian exporters must understand if they are to develop markets in that country. In September, a subcommittee of the Canada-Japan Ministerial Committee met to review matters of interest in metals and energy resources development including exploration, production, processing, financing and trade.

During the year, trade agreements were signed with the U.S.S.R., Bulgaria, the Philippines and Tunisia. The latter was the first Francophone African country to sign a trade agreement with Canada. Bilateral trade consultations were held with Bulgaria, Hungary, Poland, Romania and the U.S.S.R. to obtain information about their future import requirements and to inform them of Canadian export capabilities and credit facilities. In 1972, the Department accepted an invitation from the Cuban trade authorities to engage in bilateral trade consultations at regular intervals. The first consultation in Ottawa, November 1972, explored ways of improving access to the Cuban market for a wider range of Canadian exports.

Increased awareness of Middle East and African markets developed in 1972/73. Important visitors from Nigeria, Zaire, Zambia and Ivory Coast toured Canadian industry and learned of our capabilities. Exports to Algeria increased considerably and all signs indicate this trend will continue. Several Canadian companies were successful in initiating sales to the Libyan market.

In the field of commodity trade, the first International Cocoa Agreement was negotiated finally after repeated attempts over a 16-year period. Its objective is orderly marketing and price stabilization and it is designed to keep cocoa prices within a given range by export

quotas and buffer stock. Canada was the first importing country to ratify the agreement.

Canadian consumers benefited in 1972/73 from provisions of the International Sugar Agreement that permitted Canada to obtain most of its sugar requirements at the maximum price under the agreement, two to three cents per pound below the world market level. Canada is also a signatory to agreements covering wheat, coffee and tin and takes an active part in international consultations on these and other commodities.

The new round of multilateral trade negotiations scheduled to begin later in 1973 will aim at obtaining reciprocity of benefits and mutual advantage to all participants. The extent of their coverage will be unprecedented, encompassing non-tariff barriers as well as tariffs, affecting both agriculture and industry. A principal aim of these negotiations is to secure additional benefits in international trade for developing countries.

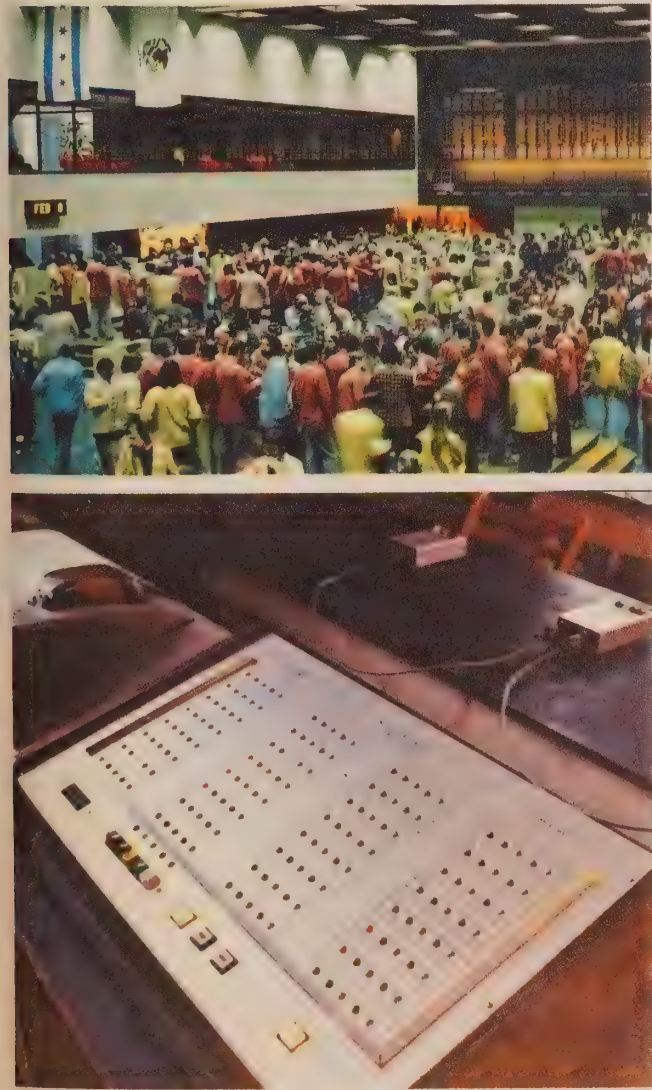
In January, 1973 a Preparatory Committee, in which Canada is playing a full and active role, initiated

discussions to develop methods and procedures for the negotiations. Its report will be presented in Tokyo in September, 1973 at a ministerial meeting that is expected to officially open the negotiations.

In addition, Canada participated actively in GATT committees and working groups that are examining trade problems and developing solutions that might be incorporated in the multilateral negotiations.

Canada took part in the United Nations Conference on Trade and Development (UNCTAD III) held April/May, 1972 in Santiago, Chile. Among the most significant decisions made were those relating to participation by developing countries in discussion on international monetary reform and in the 1973 GATT negotiations, special measures for the least developed countries, and commodity problems.

Canada's ratification in September, 1972 of the ATA Carnet Convention for the temporary entry of goods will ease customs procedures for Canadian businessmen sending samples to foreign markets and help Canadian export efforts. The convention is under the aegis of the Customs Co-operation Council, of which Canada is a member.



Development of the computer/communications sector of the electronics industry was given special attention in 1972/73.

The Department continued to work closely with the Canadian International Development Agency (CIDA) to ensure that bilateral and multilateral aid programs benefited Canadian export marketing. A new information campaign was begun to increase guidance and advice to the business community on internationally financed markets in developing countries, on the various sources of financing available, the lending policies of the financing agencies concerned, and how to identify and follow up on specific sales prospects under such financing. Canada became a member of the Inter-American Development Bank (IDB) in Washington in May, 1972. The eligibility of Canadian firms for procurement under IDB soft loans (from the Fund for Special Operations) did not, however, become effective until the beginning of 1973. Negotiations for Canada's participation in the African Development Fund of the African Development Bank in Abidjan resulted in an agreement signed in mid-1973.

Results of the Department's active promotion are evident in the rapid growth in demand for Export Development Corporation (EDC) assistance in the form of export credits insurance, guarantees, and direct long-term financing. An increase in EDC's legislative ceiling was required to meet the demand. EDC, which also administers a foreign investment insurance facility, reports to Parliament through the Minister of Industry, Trade and Commerce.

Under OECD auspices, progress was made towards effective multilateral regulation of government-sponsored export credits with the implementation on July 1, 1972 of an Exchange of Information System and a Prior Consultation Procedure.

Transportation matters significant to the conduct of trade were considered at two international conferences attended by officials of the Department — the Third United Nations Conference on Trade and Development held April/May, 1972 in Santiago, Chile and the UN/Intergovernmental Maritime Consultative Organization Conference on International Container Traffic held towards the end of 1972 in Geneva. Although the UN/IMCO conference produced useful conventions on container safety and on customs practices relative to the movement of containers, it failed to achieve international accord on a proposed convention on intermodal transport. Further consideration of a combined intermodal transport convention is planned.

A resolution of the UNCTAD conference, marked by dissenting votes of the developed nations, requested the UN General Assembly to convene a conference of plenipotentiaries in 1973 to adopt a Code of Conduct for Liner Conferences that would be binding on governments. In view of Canada's adoption of legislation in 1970 regulating liner conference practices, and because the concepts promoted by developing countries could reshape the international ocean transportation environment, the Department is taking a keen interest in preparations for the forthcoming conference of plenipotentiaries.

The Department continues to be active in missions and exchanges under the bilateral science and technology agreements with Belgium, the Federal Republic of Germany and the U.S.S.R. The first meeting of the Mixed Commission established with Belgium was held in Ottawa during May, 1972. The first joint Consultative Meeting with Germany took place in Ottawa in December, 1972. These consultations reviewed the progress of co-operation in scientific and technological fields and identified areas for collaboration. Visits and exchanges have permitted Canadian industrialists to obtain firsthand information on technological trends in Europe, and have resulted in new interest in Canada as a supplier and partner in the development of new areas of technology. To date, industry to industry co-operative projects have been undertaken in the areas of electric power and marine technology, with Canadian companies receiving support through the Program for the Advancement of Industrial Technology. Eight joint Working Groups established under the 1971 Agreement with the U.S.S.R. for Co-operation in the Industrial Application of Technology have continued their visits and exchanges.

Domestic Environment: Major efforts are being made to ensure that industrial policies and programs are applied in a way that will enable individual industry sectors to make the greatest possible contribution to Canada's industrial development. An important achievement in 1972/73 was the compilation of comprehensive information covering performance, opportunities and constraints in some 130 manufacturing sectors. This data base will help clarify issues and promote cohesion and compatibility in the treatment accorded to various components. Work has also proceeded in consultation with industry, and in some cases with provincial governments, on studies aimed at developing additional sector strategies in such fields as pulp and paper, petrochemicals, man-made fibres, and footwear.

The Department took an active part in OECD studies of the textile, pulp and paper, iron, steel and aluminum industries. It participated also in reviews of policy in areas of direct concern to Canadian industry including taxation, labour, legislation, competition policy, tariffs, packaging and labelling regulations, and environmental protection measures.

As well as conducting research into foreign investment in Canada, the Department continued to monitor domestic capital expenditure programs, investment abroad by Canadian-incorporated companies, and the operations and financing of the larger foreign-owned subsidiaries in Canada.

During 1972/73, substantial progress was made towards stabilizing employment and improving conditions in the textile and clothing industry in accordance with the policy announced in May, 1970. Last fiscal year, the Textile and Clothing Board conducted inquiries into polyester filament fabrics and polyester filament yarns and reviewed earlier measures affecting

cotton yarns, shirts, acrylic yarns and knitted fabrics, and an inquiry into terry towels was in progress at the close of the fiscal year. The purpose of these inquiries is to determine whether imports of textiles and apparel are causing or/threatening to cause serious injury to Canadian production. If such injury exists or is threatened, and if Canadian producers have submitted acceptable plans for improving their competitive ability, the Board may recommend introduction of special protective measures, which it keeps under continuous review and reports on further as required.

Export restraint agreements covering 19 textile items and one non-textile item were negotiated with 10 countries in 72/73. The global quota on low-priced shirts was extended for another year as was the

mixed export restraint-quota system on cotton yarn. The Department also participated in the preliminary work of the GATT Working Party on Textiles which, hopefully, will lead to a multi-fibre arrangement governing international trade in textiles.

Fiscal year 1972/73 was one of healthy growth for the textile and apparel sectors. The domestic market for textiles expanded by more than 19 per cent while import penetration rose by less than 3 per cent. The clothing industry made substantial gains in sales, profits, capacity and exports, but its full potential will continue to be curtailed to some extent by labour shortage and the advent of a more recent problem, fabric shortages.



Departmental programs help Canadian shipbuilders to compete in world markets. The 80,000-ton Kriti Star is the largest ship ever built in Canada.



The furniture industry experienced generally favourable conditions in 1972/73 and it is likely that factory shipments will exceed \$1 billion by 1974. Although production has increased substantially, expansion has not been rapid enough to meet market demand. The situation is further aggravated by material and labour shortages. As demand pressures continue to rise, rationalization of the industry through mergers and acquisitions is expected to gather momentum.

It was a good year for the cultural industries sector (sound recordings, films and printed matter), although there were several underlying problems including rising material and labour costs, shortages of working capital, low productivity in small commercial printing plants, and seriously handicapped Canadian-owned book publishers. In general, however, the outlook for this sector is fairly bright. Healthy growth is predicted also for the leisure products sector (toys and sporting goods), which enjoyed a 22 per cent increase in exports in 1972.

Canadian companies engaged in the development and manufacture of STOL aircraft, their components and systems were heartened by the federal government's decision last year to proceed with an Ottawa-Montreal STOL demonstration service using Twin Otter aircraft. The service is expected to begin commercial operations in March 1974 and should provide an attractive shop window for interested foreign buyers. Another important announcement was the government's decision to continue funding two prototypes of the DHC-7 quiet STOL airliner. Present plans call for the 48-passenger aircraft to enter commercial service in 1975. The Department has set up a DHC-7 Program Management Office to monitor the DHC-7 Flight Development Project and to co-ordinate activities with other agencies responsible for the development of STOL systems infrastructures. A number of Canadian avionic companies were brought together with departmental assistance to form a STOL Industry Systems Office that will define subsystems and determine the business potential that would result from a successful STOL airframe/engine program. The aerospace industry stands to benefit also from participation in the Long Range Patrol Aircraft (LRPA) program launched during fiscal 72/73.

There was a marked improvement in 1972 in the general aviation field, and several companies continued to supply major airframe components and equipment to foreign primes on a sub-contract basis. New contracts were signed with Canadian firms for components for the Boeing 707 and Dassault Mercure commercial jet transports. Important markets are opening up for Canadian aero engines and significant sales were made last year.

A rapid increase in consumer demand for recreational vehicles has resulted in accelerated growth in production of tent and travel trailers and truck campers. The Department continues to support research and development in the recreational vehicles industry. Canada has also become a leading producer of

pleasure craft; sailboats and power boats designed and built in Canada have earned an international reputation for quality, performance, and durability.

The special vehicles industry continued to expand strongly, with emphasis on such specialized areas as off-road transportation, northern housing, snow removal, airport equipment and municipal equipment. Markets for utility hovercraft continue to expand as more and more of these versatile vehicles are placed in service throughout Canada.

Domestic sales of airport ground support equipment continued to increase and significant gains were made in the sale of specialized snow removal equipment.

Demand for automobiles reached an all-time high in 1972/73 and the industry in Canada has been working to near capacity. Greater emphasis on improved urban transportation systems that would alleviate traffic congestion and reduce vehicle pollution has resulted in strong demand for urban transit buses, feeder buses and inter-city coaches. A unique opportunity now exists to develop an industry with a substantial degree of Canadian ownership and control. The domestic environment improved also for logging and mining vehicles, and towards the end of 1972 this part of the automotive industry experienced a dynamic increase in market demand.

The past fiscal year was profitable for the railways, with revenue up approximately 10 per cent. Locomotive manufacturers had full shops and car builders operated at higher than normal levels. Strong domestic demand was complemented by progressive penetration of foreign markets.

The Canadian marine industry too experienced rapid growth in 1972/73 as a result of burgeoning demand for offshore vessels, equipment and contracting services. In the category of offshore drill rigs and supply boats alone, total value of vessels under construction or on order was \$170 million — equivalent to about 6,000 man-years of labour in the shipbuilding industry. Canada's growing commitments to environmental protection are most likely to expand demand for oceanographic equipment and services.

Canadian shipyards operated at their highest level of activity since 1967 despite continuing weak domestic demand. Many export orders were received as a result of the Department's Shipbuilding Temporary Assistance Program (STAP), which was recently extended for a further two years. Notable among vessels delivered during the year were the 80,000-ton Kriti Star, the largest ship ever built in Canada, and three ultra-modern DDH-class warships for the Canadian navy.

Development of the computer/communications sector of the electronics industry was given special attention during the year. The Position Statement on Computer/

Communications Policy, issued shortly after the end of the fiscal year, endorsed a strong Canadian computer services and software sector. The Department continued to monitor major electrical projects across Canada to ensure that domestic suppliers in their efforts to retain their share of the Canadian market are not penalized by unfair trading practices of foreign suppliers.

Since its first meeting in January, 1972 the Metric Commission has concentrated on organizing committees and promoting investigation of metric conversion by national associations and individual organizations throughout the country. The Commission held nine meetings, up to March 31, 1973, and established, in co-operation with more than 200 national associations, 11 steering committees covering all sectors of

Significant sales of airport ground support equipment were made in 1972/73.



Canada's economy. Each economic, social and educational sector of Canadian society has been asked to form a committee to plan for metric conversion.

The basic structure for critical path planning has been developed in each industrial sector, and a microfilm metric information system has been in operation for over a year. Publicity during 1972/73 included exhibits in a number of trade fairs, periodical bulletins distributed to a mailing list of more than 30,000, and publication of a 16-page brochure.

Its task of setting up the organization for planning metric conversion throughout Canada completed, the Department began planning for conversion within the federal government. The Secretariat for the Inter-departmental Committee for Metric Conversion has launched programs for use of metric terminology in Acts and Regulations, for screening of government documents to ensure correct use of SI terminology and for informing all departments and agencies of metric conversion plans. Studies are being conducted also in the area of standards conversion and metric conversion implications in bilateral and multilateral treaties.



Sailboats built in Canada have earned an international reputation for quality and performance.



The furniture industry experienced generally favourable conditions in 1972/73.



Canada has become a leading producer of pleasure craft.

STATEMENT OF EXPENDITURES

Trade Industrial Program

Vote		1972-73
1, 1b	Operating expenditures	\$ 45,482,472
5	Textile and Clothing Board — operating expenses	167,009
10, 10b	Grants and contributions	112,241,889
11a	GAAP Insurance losses	752,548
Statutory	Minister of Industry, Trade and Commerce — salary and motor car allowance	17,000
Statutory	Pensions to former locally-employed employees of offices abroad	524
Statutory	General incentives to industry for the expansion of scientific research and development in Canada	31,962,756
	Loans to assist manufacturers of automotive products in Canada	10,208,655
	Loans to assist Canadian defence industry with plant modernization	5,639,591
	Loans to assist the pharmaceutical industry in the manufacture of lower-priced prescription drugs	270,000

Tourism Program

20,20b	Operating expenditures	16,683,945
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Grains Program

25	Operating expenditures	1,031,560
30,30a,30b	Grants and contributions	50,607,420
31b	Deficit on pool accounts	3,870,435
Statutory	Payment of carrying costs of temporary wheat reserves	21,918,708
Statutory	Payments in connection with the Prairie Grain Advance Act	1,036,038
Statutory	Payments in accordance with the Prairie Grain Provisional Payments Act	10,036
Statutory	Two price wheat	63,173,290

STATEMENT OF REVENUES

Return on Investments		1972-73
	Interest on loans to Export Development Corporation	23,872,051
	Interest on loans to assist manufacturers of automotive products	2,138,176
	Sundry	344,712
Refunds on previous year's expenditures		
	Royalties re Otter aircraft	35,100
	Repayments re PAIT	101,160
	Return of assistance vote contributions	476,472
	Sundry	1,422,510
Miscellaneous		
	Sundry	365,849

MARKET DEVELOPMENT

Canada's economy continues to depend to a significant degree on foreign trade, particularly in the important manufacturing sector. Through its market development activity, the Department helps Canadian industry to exploit trade opportunities wherever they exist. Efforts continued during the year to establish new and improved marketing programs aimed at increasing exports of manufactured goods and services. Established exporters were encouraged to expand their product and service lines as well as their world markets coverage. Domestically-oriented companies were assisted to enter the export market. Market development services include:

- Analyses of international trade trends and surveys of new opportunities for Canadian exporters.
- Continuing day-to-day assistance to exporters through the Department's offices in Canada and abroad.
- Direct promotional support through trade fair participation, trade missions, in-store promotions, export publicity, and visiting buyers' programs.
- Indirect market support through the Program for Export Market Development, which offers industry financial incentives to expand marketing activities.

Field Services: The Trade Commissioner Service started procedures during 1972/73 to open three new offices to meet expanding trade opportunities, bringing the total of trade offices to 84 in 60 countries. The Service took part in an exchange of officers with private industry and in secondments to and from other departments and other branches of this Department. By year end, 257 officers were conducting trade promotion abroad or were participating in the Department's Interchange Program. The Department maintains eight regional offices in Canada to serve Canadian manufacturers and exporters.

Promotional Projects Program: This highly effective program has long been one of the cornerstones of the Department's activities to promote export sales of Canadian products and services. During the year, the Department helped 753 Canadian companies to exhibit in 40 international trade fairs. Canadian businessmen and officials took part in four outgoing trade missions to six different countries. Nine incoming missions brought 98 foreign businessmen to Canada, and an additional 1,363 made individual visits. Twenty foreign government delegations were received.

At the Canadian Trade Exposition in Peking last year — the largest trade fair of its kind ever sponsored by the Canadian Government — 236 Canadian companies and associations were represented and contracts valued at more than \$80 million were signed.

Export Publicity: The Department's export publicity program to inform potential foreign buyers of Canadian capabilities and products and to generate direct

sales prospects for Canadian firms was continued. Canada Courier, the export promotion newspaper that describes exportable Canadian goods and services and is distributed to overseas buyers, drew 12,000 inquiries in 1972/73 compared with 9,000 the previous year. Forty-two new export promotion directories and catalogues promoting various sectors of Canadian industry were produced and distributed abroad.

Program for Export Market Development: During 1972/73, the program provided some \$3 million to Canadian firms to expand their marketing programs. Through PEMD the Department offers financial incentives to encourage Canadian companies to carry out additional marketing ventures. Contributions are repayable only in the event that the project is successful in generating sales or contracts. To date, PEMD has helped Canadian companies win sales and contracts worth about \$70 million. The program is divided into four sections:

- Incentives for participation in capital projects abroad.
- Market identification and adjustment.
- Incentives for participation in trade fairs abroad.
- Incoming foreign buyers.

Studies of the role that trading companies and consortia could play in accomplishing the Department's marketing objectives led to an amendment to the program that makes Canadian trading companies eligible for assistance in marketing Canadian products and services abroad. Similar programs related to the formation of product-oriented and capital project consortia are under consideration.

The Department provided greater marketing support for the Canadian service industry, particularly for engineering consultants in their efforts to obtain contracts for both commercial and aid-financed foreign projects. Significant progress was achieved in Canadian participation in tourist, educational and scientific projects abroad. A program to promote Canadian capabilities in the pollution abatement field was also undertaken.

Export promotion in support of the clothing industry was conducted in Britain, the United States and Canada in 1972, resulting in an 11 per cent increase in exports to \$97 million. Three quarters of these sales were to the U.S. A new and promising market for Canadian clothing developed in Japan last year.

Through the Export Market Development Program, potential markets for household furniture and store fixtures were identified in the U.S., West Germany and Japan. The program also enabled four household furniture manufacturers in Quebec to stage a successful showing of their products in Puerto Rico in March 1973.

More than 50 Canadian publishing houses participated under the auspices of the Department in the 5th International Brussels Book Fair in March 1973. The



Two hundred and thirty-six Canadian companies and associations were represented at the Canadian Trade Exposition in Peking.



Department assisted also in the formation of the Association for the Export of Canadian Books to increase sales of Canadian literature abroad. The Association opened its first book centre in London, England, on April 1, 1973. The centre now represents 43 Canadian publishers in Britain and handles more than 3,000 titles.

The Department helped Canadian machinery manufacturers, engineers and consultants to arrange sales throughout the world, particularly in developing countries. It played an important part in the sale of power boilers to Israel, hydro-electric turbines to Brazil and New Zealand, gas compressors to India and gas turbines to Mexico and Libya. In the mining and metal processing field, engineering services and equipment were supplied for an electronic zinc complex in Turkey, an iron ore pelletizing plant in Argentina, a diamond drilling project in Hungary, and a large copper oxide processing plant in Peru. Other major equipment sales included pulp mill and log handling equipment to South Africa, fish processing equipment to Algeria and an aeronautical research wind tunnel to Romania.

A comprehensive marketing program was launched in Japan on behalf of Canadian producers of lumber, plywood and other building materials, with special emphasis on the Canadian timber frame building system. A series of technical seminars were held in Tokyo to acquaint Japanese authorities with Canadian lumber grading methods, wood frame building techniques and vocational training methods, and several groups of Japanese officials toured Canadian manufacturing facilities. The Department assisted the plywood and sawmilling industries to develop markets in Western Europe, North Africa and the Middle East. Exports of lumber and plywood to these markets grew by 17.7 per cent to a total of \$47.7 million in 1972/73.

Significant trade opportunities for Canadian minerals, metals and associated machinery and equipment were discovered in China, and important sales of aluminum and nickel were made at the Peking trade fair.

Work continued on long and short-term marketing programs for electrical and electronic appliances, particularly consumer products and components. Many interesting market opportunities for Canadian electrical manufacturers and contractors were discovered in Nigeria, China, Ecuador, Brazil and the U.S.S.R.

Canadian manufacturers of automotive parts were given departmental assistance to participate in a major trade fair in Germany and a series of smaller shows in the U.S. Promotional activities on behalf of the special vehicles sector were undertaken in China, Russia, France and a number of other countries, resulting in new sales. The Department's marketing activity led also to expanded overseas demand for Canadian off-highway trucks, off-road tracked vehicles, and diesel electric haulers. An initial order for 150

urban transit bus bodies marked the first significant export of this item. Exports of inter-city bus bodies to the U.S. continued at a high level.

A nine-member transportation technology and equipment mission visited Israel in November and met with the Minister of Transport and senior officials responsible for subway and railway projects. Important marketing opportunities for Canadian railway equipment manufacturers were discovered in China, and a number of Chinese railway experts were invited to Canada. The Canadian trade fair in Peking confirmed that there will continue to be a market in China for diesel electric locomotives and track maintenance equipment for some years to come. The Department sponsored trade exhibits at three major ocean-oriented conferences and exhibitions.

Defence export contracts placed with Canada by NATO and other friendly countries amounted to \$300.7 million in 1972/73; Canada purchased \$202.7 million worth of defence products abroad during the same period. Canada continued to co-operate with her allies in defence planning through defence research, development and production programs coordinated by the Department. Many of these programs have civilian applications and represent advanced technology in the field of communications, navigation and transportation equipment.

The Department was active in the promotion of a wide variety of processed and semi-processed Canadian foods in Japan, and has contributed to remarkable increases in exports of pork products, honey and candies. Numerous Canadian brands of food and beverages can now be found in Japanese supermarkets.

During the year, a number of market studies were conducted in a wide range of industry sectors, including telecommunications in Western Africa, coal in Latin America, manufactured buildings, components and technology worldwide, and engineering consultant services and associated manufactured equipment in developing countries, particularly Nigeria and Indonesia.

Grains Program: Grain and oilseed exports reached a record 22 million tons in fiscal 72/73, worth more than \$1 billion dollars. Exports on government guaranteed credit terms were also the largest in history, and grain shipments under the Canadian food aid program were maintained at a high level.

Seventeen projects approved under the Grains and Oilseeds Marketing Incentives Program involved financial assistance of \$1.2 million toward the development of markets for these crops and their products. An additional 14 projects, under consideration for approval, request total assistance of approximately \$820,000.

The purpose of this program is to increase sales of grains and oilseeds through market development projects sponsored by the industrial sector. These projects must demonstrate a high expected return in terms of incremental sales. Eligible projects fall into the broad categories of feasibility, development and Canadian capability. Activities under the program include the encouragement of new product and process development and the development and expansion of markets for existing products.

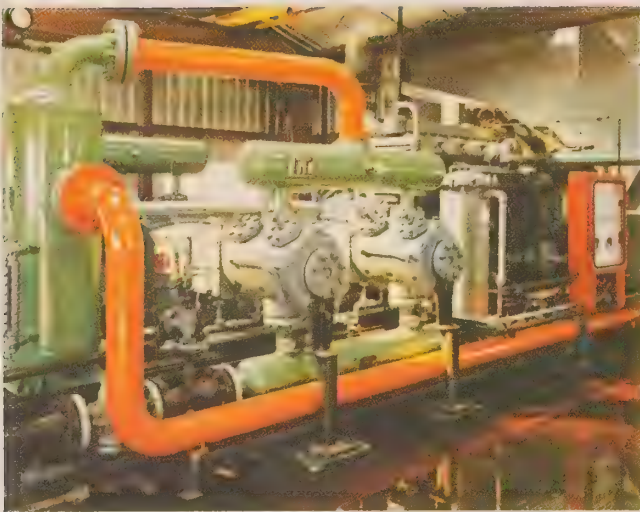
The Rapeseed Utilization Assistance Program provides grants to assist Canadian industries that produce rapeseed oil and meal to solve technological problems through research and development work and to expand foreign markets for rapeseed and rapeseed products. In 1972/73, the RUAR budget of \$300,000 was spent on 30 projects.

Returns from the sale of barley delivered by Western producers during the 1971/72 crop year were less than the initial payments guaranteed by the government, and a deficit of \$3,870,435 was paid from the Federal Treasury late in the 1972/73 fiscal year. Payments of interest charges on cash advances to grain producers in Western Canada under the Prairie Grain Advance Payments Act totalled \$1,026,612. Carrying costs and interest payments made under the Treasury Wheat Reserves Act dropped to \$21,918,469 in 1972/73, reflecting the sharply reduced level of wheat stocks in commercial storage.



The Canadian apparel industry is encouraged to develop distinctive designs for men, women and children.





The Department helped Canadian machinery manufacturers to arrange sales throughout the world.



Grain exports: a new record—22 million tons worth \$1 billion—was set in 1972/73.



Canadian publishers were provided with departmental assistance to increase their exports.



Canadian building materials are sold on world markets.



TOURISM

Tourism is the world's fastest-growing industry and travel income, the largest single item of international trade, has been growing at the rate of 12 per cent annually over the past decade and exceeded \$24 billion in 1972. The Canadian travel industry, employing approximately 780,000 Canadians, is the country's second largest foreign currency earner, after motor vehicles and parts. Travel income in 1972 reached \$1.23 billion, ranking Canada among the world's top six tourist destinations. There were more than 37 million border-crossings into Canada during 1972.

Domestic travel by Canadians has increased substantially in recent years. The latest figures (1971) show

that Canadians made a total of 62 million trips of 25 miles or more within Canada. The Department's \$600,000 Canadian Travel Survey, conducted in 1971, provides the first accurate measurement of travel by Canadians in Canada. It revealed that the value of in-Canada travel totalled \$2.5 billion. Added to the \$1.3 billion income from visitors in that year, it gave Canada a \$3.8 billion travel industry. The Department now projects a \$10 billion industry by 1980.

A new development in 1972/73 was the inauguration of a Travel Industry Development Program with \$3 million in start-up funds. The program's resources will be used to help the provinces and territories to formulate and implement tourism development plans. To improve productivity in the industry, the program

will finance the innovation of relevant technology and the commencement of an electronic data processing system for the accommodation sector that will provide analysis of operational data and a better base for decision making.

Another important development in 1972 was authorization for the Department to become the focal point for the programs of some 40 federal departments and agencies that affect tourism.

The marketing budget for the fiscal year was \$15 million of which about \$1.5 million was devoted to domestic travel promotion. Over all, \$5.9 million was spent on direct mail and advertising and \$422,000 on special exhibits and promotions. Editorial material and photographs were sent to more than 900 travel editors and scores of specialty editors in North America. Some 53,000 slides, transparencies and prints were distributed, an increase of more than 50 per cent over last year. Canadian travel films were seen by a reported 109 million television viewers, and by 16 million at community screenings in the United States, Canada and Europe.

More than 600 travel trade representatives from Canada, Britain, Continental Europe, Japan, Australia, New Zealand and the United States travelled across

the country on 32 familiarization tours. Ski promotion was emphasized in the U.S. in 72/73: 28 seminars were held for an estimated 2,850 ski club executives, outdoor writers, tour operators and travel agents. The Department participated in 16 major U.S. sports and travel shows, resulting in 40,000 travel inquiries, and three Travel Trade Shows toured in the U.S. Exhibits were sent to 24 exhibitions and fairs, including the 1973 World Culinary Olympics in Germany and the Iowa State Fair with Discover Canada promotion. Travel writers, photographers, television producers and lecturers were brought to Canada in more than 300 guest parties of one to 50 individuals, with the co-operation of the provinces, the carriers and the private sector of the travel industry.

New offices have been opened in Atlanta, Georgia, to increase promotional penetration in the southern United States, and in Washington, D.C., to attract more international conventions and corporate sales meetings and incentive trips.

The 27th Federal-Provincial Conference on Tourism was held in Ottawa in December. A highlight was the first meeting of the new 40-member Tourism Advisory Council set up to provide tourism ministers with the best thinking of a representative group of leaders in the private sector of the travel industry.



Canada is among the world's top six tourist destinations.

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review
1973-74

OTTAWA



J. F. Grandy
Deputy Minister

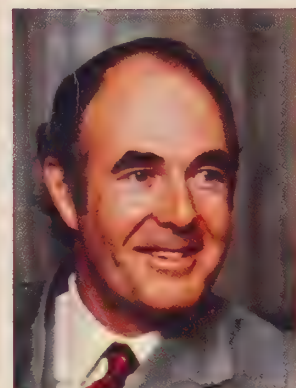
The Honourable Alastair W. Gillespie
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual review of the Department of Industry, Trade and Commerce, covering activities during the period April 1, 1973 to March 31, 1974.

Respectfully submitted

A handwritten signature in ink, appearing to read "J. F. Grandy".



Alastair W. Gillespie
Minister of Industry,
Trade and Commerce

OTTAWA

To His Excellency
The Right Honourable Jules Léger, C.C.,
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency the annual review for the Department of Industry, Trade and Commerce covering the period April 1, 1973 to March 31, 1974.

A summary of the Department's policies, activities and services rendered is laid before Your Excellency.

Respectfully submitted

A handwritten signature in ink, appearing to read "Alastair Gillespie".

Introduction

A sound economy and steady economic growth are essential for Canada's future. By stimulating our manufacturing, processing and tourist industries, and continually expanding Canadian trade, the Department of Industry, Trade and Commerce plays an important role in determining this future.

In addition to developing and administering general programs dealing with our economy, the industrial thrust is directed to establishing specific programs that will enable individual industry sectors to make the greatest contribution to Canadian economic development. Through the fiscal year April 1, 1973 to March 31, 1974, the Department's programs and services varied from research, design and development, production through to marketing. In order to permit the Canadian business community easier access to the Department's services, the regional offices were reorganized, strengthened and expanded. Also, to keep abreast of the growth of the tourist industry in Canada, the Department's Office of Tourism was reorganized, expanded and placed under the direction of an Assistant Deputy Minister for Tourism.

This report does not attempt to describe all the projects the Department was involved in during the year; it highlights the main activities under four broad headings: product innovation, production efficiency, international/domestic environment and market development. The report also touches briefly on the 1973/74 tourism program and the meetings of the Minister's Advisory Council.



product innovation



To help ensure a continuing flow of new and improved products, processes and services the Department:

- Formulates and administers incentive programs designed to stimulate technological innovation.
- Establishes and supports research institutes and centres.
- Provides industry with specialized advice and information on scientific developments and techniques.

The Department also chairs the Secretariat of the federal Government's Inter-departmental Committee on Innovation, whose function is to evaluate and recommend government policies and programs intended to further industrial research and development.

Incentive Programs: Under the Industrial Research and Development Incentives Act (IRDIA) 1,070 grants were authorized amounting to \$30.1 million during fiscal year 1973/74. A total of 4,753 grants worth \$167 million have been made since the program's inception in July 1967 up to March 31, 1974. The number of applications has increased annually from 266 in 1967/68 to 1,028 in 1973/74, for a total of 2,162 companies making 5,555 applications during the six-year period. IRDIA is available without prior approval of projects to all Canadian corporations carrying out research and development in Canada. Many of the applications were made by small businesses. Last year 283 applications were from companies new to the program.

The Program for the Advancement of Industrial Technology (PAIT) is another incentive to help Canadian industry grow and become more efficient. During 1973/74, PAIT allotted \$58 million to 132 new projects: actual cash expenditures for the year reached \$26 million. At the end of March 1974, commitments carried forward into fiscal 74/75 exceeded \$85 million. Financial assistance is in the form of a grant and generally amounts to 50 per cent of the cost of an approved project. Approval is based on the intent to develop new or improved products or processes incorporating a substantial degree of innovation

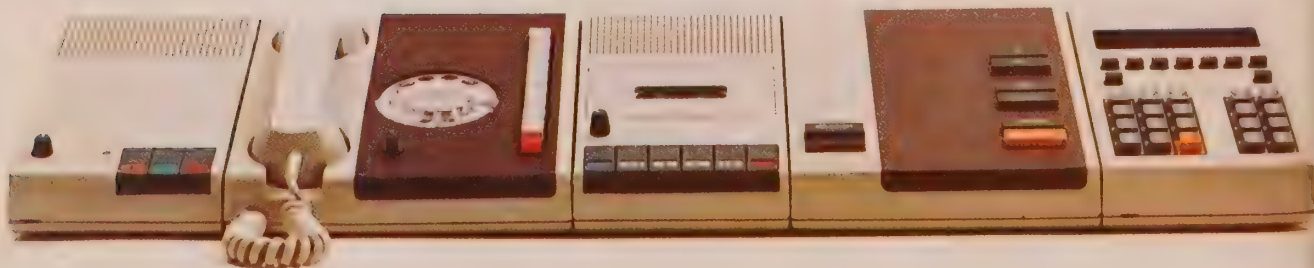
and offering good commercial prospect. The average term of development projects is approximately three years. Since PAIT was launched in 1965, 347 projects have been completed and classed as successful. Important domestic and foreign sales are expected to result from these projects.

Through the Defence Industry Productivity Program (DIP), the Department shares costs of selected industry projects including development of Short Take-off



and Landing (STOL) and Vertical Take-off and Landing (VTOL) aircraft, turbine engines, flight simulators, landing gear, flight data recorders and components for large transport aircraft. Electronics projects have generally included communications equipment such as UHF transceivers, radio relay equipment and integrated telecommunications systems. Important schemes for development and production of micro circuits and printed circuits have also been devised and DIP has supported the acquisition of advanced production, testing and quality-control equipment by some 60 companies engaged in various fields of precision metal-working.

Through its various incentive programs the Department supported technological innovation in a wide range of industry

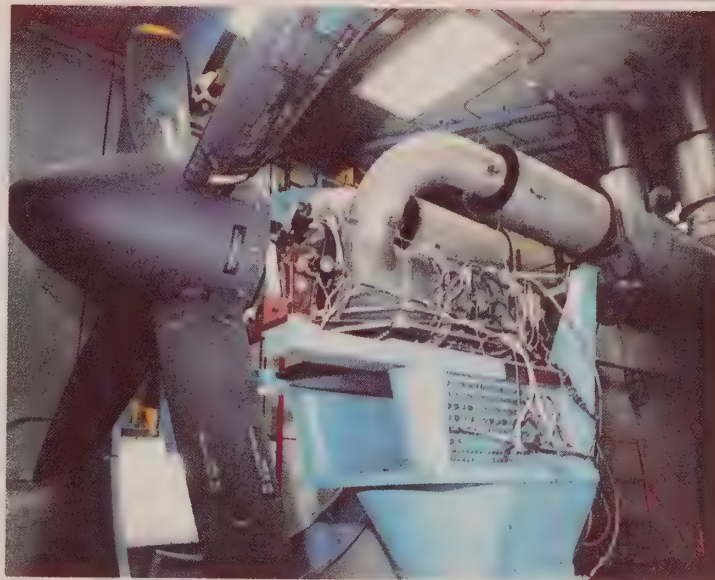




ectors in 1973/74, including metals and minerals, pulp and paper, electrical and electronics, chemicals, construction, machinery and transportation. Aerospace projects emphasized augmentor wing technology, air cushion vehicles and landing systems, the DHC-7 quiet STOL airliner, light amphibious aircraft, and small turbine aero-engines. Other project highlights included avionics systems, computers, remote sensing devices, automatic orthophoto production, offshore petroleum equipment, railway technology, and development of new urban transit systems and equipment. Support was given also to development of recreational and off-road vehicles, automotive emission control and noise reduction, switchgear for transmission voltages exceeding 500 kv, a new meteorological rocket, an effective low-cost adhesive for use in the plywood and particleboard industry, a lead sheet continuous casting machine for the manufacture of storage battery grids, a new board panel system for roofs and walls, a new type of pipeline system for transporting liquefied natural gas from ship to shore, a new method of pulping, and a new process for manufacturing bronze powder.

Continued liaison with industry and provincial governments increased interest and activity in industrial design throughout Canada. The Manitoba Design Institute implemented a Product Design and Development Program, recently sponsored by this Department, whereby field teams provide in-company design assistance to small companies.

The Industrial Design Assistance Program (IDAP) supported 49 projects in 1973/74, almost double the number of projects handled in the previous year,



with grants totalling \$477,000. An additional 29 grants totalling \$286,482 were used for design research and seminars.

New initiatives in design education resulted in a four-year industrial design degree course offered by Carleton University in Ottawa, and continuation of design management courses at other Canadian universities. Thirty-three scholarships amounting to \$106,960 were awarded for advanced studies in design at Canadian and international schools.

A broadened approach to design advisory services has assisted the tourist industry, furniture manufacturers, the design of products for industries in penitentiaries and design in the area of urban transportation.

To increase public understanding of Canadian design achievements, an exhibition of outstanding products was

developed in co-operation with the Art Gallery of Ontario, for showing in six major Ontario cities.

During the last two years, the Department has examined developments in the Canadian crafts community, and meetings have been held with craftsmen from across Canada, provincial officials, and representatives from crafts associations. As a result of these discussions, and in response to suggestions from the crafts community, the Department sponsored a craft award program to encourage the development of well-designed products that could be mass-produced for domestic and export markets. The program was created also to increase the public's awareness of crafts in Canada.

Canadian craftsmen submitted a total of 950 craft and souvenir articles, including textiles, soft toys, jewellery, wooden products, glass and leather items, ceramics, tableware and decorative pieces for judging by an independent panel.

Research Institutes, Centres and Associations: The Industrial Research Institute program, which encourages universities to undertake research and development for industry on a contract basis, supported two additional institutes in 1973 — the Office of Industrial Research at the University of Manitoba and the Food Services Research Centre (CRESALA) at the University of Quebec in Montreal. This brings to ten the number of such institutes that have received grants from the Department to cover costs of establishment and administration during the initial years of operation.

The Centres of Advanced Technology program, which helps Canadian universities and other organizations to establish centres of advanced technology in specific areas of importance to Canadian industry, supported the establishment of two new centres, the Systems Analysis and Control and Design Activity at the University of Western Ontario and the





Canadian Food Products Development Centre at the Manitoba Research Council. The Department pays the costs of equipment, materials and salaries of professional staff during the initial years of operation.

The Industrial Research Association program, which encourages industrial associations to establish co-operative research and development activities on behalf of industrial sectors, provided support for the establishment and initial operation of the Canadian Welding Development Institute.

The Department has continued its diversity grants program aimed at

obtaining information for policy-making purposes and at enhancing academic interest in technological innovation as it occurs in Canada. To assist inventors and entrepreneurs in need of venture capital, the Department has published, in both English and French, "Sources of Venture Capital — A Canadian Guide". This book, written under contract by two Toronto accountants, Peter McQuillan and Howard Taylor, is available free of charge. It describes how to prepare a business plan for presentation to venture capitalists, discusses in general terms the advantages and disadvantages of the various sources of venture capital, and lists possible sources of such capital complete with names and addresses, and methods of operation.

Other Developments: The Sulphur Development Institute of Canada (SUDIC) was incorporated and became operational during the year. Located in Calgary and jointly financed by the federal Government, the Alberta Government and the sulphur industry, SUDIC provides financial incentives to private industry to develop new uses for sulphur as one means of solving a surplus supply problem. Several contracts for this purpose have already been let.

The Department participated in an Interdepartmental Task Force on energy research and development to study and recommend action to ensure that in the years ahead, Canada has enough energy to meet all its needs.



Production Efficiency

The Department continues to administer a comprehensive program designed to help Canadian enterprises operate more efficiently and to successfully withstand foreign competition. To achieve this goal, the Department:

- Analyzes supply and demand patterns in domestic and world markets.
- Assesses the effectiveness of production methods at home and abroad.
- Provides specialized advice and information to industry.
- Operates incentive programs designed to help Canadian firms improve their efficiency.

Research and Analysis: The industry sector branches and other units of the Department, often in conjunction with industry, carry out and sponsor a continuous program of research and analysis to determine opportunities in different industry sectors and to gauge their competitive potential, regionally and internationally.

Research conducted during the past year included studies of productivity in the manufacturing and service sectors, and analysis of inter-regional and international variations in productivity. The inter-firm comparison program gained momentum and acceptance by participating industries, four comparison studies in sectors of the clothing industry were completed, and three new studies were undertaken. Inter firm comparisons are designed to help individual companies ascertain how their performance compares with that of other firms in the same line of business and how it can be improved. Other studies and technical surveys probed the options open to Canada in the field of thermal power generation; the manufacture and distribution of automotive aftermarket parts; the feasibility of a foreign warehousing program and financing of the hardboard and hardwood plywood industry; the economic aspects of railway electrification; and the feasibility of producing a glass fibre-reinforced plastic pipe for transmitting oil and natural gas. The possibility of building a facility in Canada for the production of high nickel alloys was explored; studies of the power transmission chain and wire mill industries were completed; a new study was undertaken of the foundry industry, and a study of economically available timber for expansion of forest-based industries was commissioned. The Department also engaged in projects aimed at improving the output and profitability of the hardwood veneer industry, and it supported a study of methods for improving and reducing the

cost of distributing newsprint from eastern Canadian mills to their customers in the United States. It is anticipated that the techniques developed through this work can be applied to other sectors of Canadian industry. In addition, the Department sponsored a power metallurgy fact-finding mission to Western Europe to investigate technological developments.

Incentive Programs: Since its inception in August 1968, the General Assistance Program (GAAP) has authorized insurance on 121 loans valued at \$83.7 million to help finance restructuring programs. Insurance on 23 loans amounting to \$11 million for expansion programs involving a total of \$16 million was approved in fiscal 73/74. It is estimated that export and domestic sales attributable to the program will increase by \$230 million (of which \$132 million will represent export earnings) and provide employment for 5,554 persons.

GAAP was extended in March 1973 to cover — without the requirement of Kennedy Round linkage — all manufacturers who want to restructure their operations or to set up new ones in order to compete effectively in foreign markets. The extension provides also loan insurance and consulting assistance to firms in the service sector. GAAP assistance continues to be available to manufacturers threatened or seriously injured by imports.

As part of its efforts to improve Canadian management capabilities, the Department approved financial assistance totalling \$145,456 last year to help 10 different business and professional associations to develop or revise management training courses under the Development of Management Course Program.

Following a test period with two pilot projects, the Counselling Assistance to Small Enterprise service (CASE) was further expanded with the opening of seven new offices during the past fiscal year. Two more are planned for the summer of 1974, bringing the total to 11 offices. Expenditures in 1973/74 amounted to \$39,000 against \$10,200 in 1972/73. A total of 525 applications were approved, covering 3,180 man-days of counselling. CASE provides a much needed counselling service to small business in the manufacturing and tourism sectors, mainly by employing the talents of retired business managers. At present the Department has more than 770 counsellors on roster. It is expected that coverage will be extended to the service sector.

During 1973/74, the Program to Enhance

productivity (PEP) approved 61 projects with a total commitment of \$675,000. PEP underwrites up to 50 per cent of the cost of examining the feasibility of implementing significant and imaginative projects aimed at improving production efficiency. The average study is completed within six months and the department's contribution ranges from a few thousand dollars to a limit of \$10,000. Support was given to projects in all regions of Canada and in all secondary manufacturing and processing industries. Industries making extensive use of the program last year included the apparel, footwear, foundry, metalwork, machinery and food processing sectors.

The Department processed some 19,000 applications under the Machinery Program (MACH) and total remissions in the past fiscal year amounted to \$110 million.



Under the Automotive Adjustment Assistance program (AAA), the General Assistance Board authorized loans worth a total of \$1,128,000 in fiscal 73/74 to Canadian manufacturers of original automotive parts and equipment. Lending activity under the Automotive Manufacturing Assistance Program ceased on July 1, 1973. Such assistance is now available by guarantee under the General Adjustment Assistance Program. Since lending activities began in 1965, 120 loans worth \$114 million have been approved and a total of \$13 million in interest payments and \$1 million in principal repayments have been credited to the consolidated revenue fund. In addition, the activity has led to the creation of approximately 10 new jobs.

In fiscal 73/74, the Department processed two applications under the Pharmaceutical Industry Development Assistance Program and approved one amounting to \$350,000. As of August 1, 1974, the outstanding balance

on loans in force totalled \$1,017,500.

The Development of University Studies in International Business Program was introduced to encourage Canadian universities to place greater emphasis on research and studies that meet the practical needs of Canadian business and enhance its capability in international business dealings. Under this program, the participating universities are encouraged to consider alternative approaches to the teaching of international business, including active exchanges with the business community, internships, or other forms of exposure to the international business environment. The Program consists of:

- development grants to faculties of business administration at selected Canadian universities to create centres of excellence in international business;
- Annual student fellowships to encourage graduate students in business administration to study international business.



In fiscal 73/74, a grant of \$300,000 was awarded to a Canadian university for establishment of a division of international business studies.

In recognition of the need for closer liaison between business faculties and industry, the Department introduced the Management Advisory Institute Program to provide an institutional framework within which faculty members at university business schools can undertake consulting and management research projects sponsored by business. By tapping the vast potential of university staff and facilities, the institutes provide much needed management advisory and management research services to business and, on a selected basis, to public institutions such as hospitals and municipalities. The institutes also promote, when appropriate, co-ordination among the different university disciplines whose expertise can be brought to bear upon the solution of business problems. The program is expected to lead to an increase in consulting activity, and to improvements in management practices. Charges made to business by the institutes will make the latter self-supporting in the long term. Initially, two institutes are being established on a trial basis.

Other Developments: An important development in 1973/74 was the announcement by the Minister of a comprehensive and wide-ranging set of policy measures for the footwear and tanning industries sector. Developed in the wake of detailed reviews of the industries' situation and after full consultation with the industries and provincial governments concerned, the measures are designed to enable these two industry sectors to adjust to rapidly changing conditions and meet competitive challenges in domestic and world markets. The success of the measures — grouped under the broad headings of Productivity Improvements, Marketing Practices and Commercial Policy — will depend on the continued co-operation of management, workers, governments and other interested parties.

The Department, in association with the Department of Environment (Environment Canada), played an active role in developing the terms of reference and modus operandi of the Forest Engineering Institute of Canada, which is to be jointly funded by the federal Government and the forest-based industries. Progress was made also on the establishment of a new Concrete Institute, which, among other things, will co-ordinate industrial and market research. The institute will be co-sponsored by industry and government.

Work proceeded on the development of a Market Data Generation System aimed

at helping Canadian companies in the metals industry to improve cost savings and increase domestic and foreign sale through better production planning and budgeting. In addition to regular statistical reports, a metals industry director is being established to provide salesmen in the industry with a list of potential customers for their products. The Department sponsored a series of 26 seminars at centres across Canada.

The Canadian Construction Information Corporation assumed complete responsibility and control for the operation and development of the Canadian Construction Information System, a subactivity of the BEAM program, whose purpose is to increase productivity and efficiency in the construction industry through the use of a systems approach to construction. It is anticipated that the pilot phase will begin on July 15, 1974 and will be completed by December 1974. Commercial operations will begin immediately thereafter.

The Construction Industry Development Council held a number of meetings during the year and approved a consultant's report on Management Education in the Construction Industry. The Study of Cyclical Instability in the Construction Industry being carried out for the Council by the Economic Council of Canada was also completed except for translation and printing. The Council recommended that a national conference be held on "A Strategy for the Construction Industry".

During the past fiscal year, the Honorable Alastair Gillespie, Minister of Industry, Trade and Commerce convened four meetings of his Advisory Council. The Council, composed of Canadian business leaders, reviews departmental policies and programs and recommends improvements in the light of changing conditions at home and abroad. Membership is rotational and broadly representative of industrial, trade and regional interests.

minister's advisory council



At the Council's meeting in March 1974, the members reviewed the area of oil pricing and oil policies. The Minister also led a discussion on the subject of multinational corporations and their role in the Canadian economy.

The meeting in December 1973 featured remarks on the energy situation by the Honourable Donald Macdonald, Minister of Energy, Mines and Resources. Mr. Gillespie described the role of the newly formed Canadian Trade and Tariff Committee charged with reviewing submissions related to the forthcoming GATT negotiations. Departmental officials reported on the footwear strategy and on the problems and opportunities facing Canada in the area of resource upgrading.

In September, the Minister discussed the Industrial Bank Development Agency as a mechanism for aiding small and medium-size businesses. Comments were elicited on the potential for export marketing through consortia, and Mr. S. M. Gossage, Chairman of the Metric Commission, reported to the Council on the proposed program for metric conversion in Canada.

At the Council's April meeting, the Honourable Robert Andras, Minister of Manpower and Immigration, described the changes that had been effected in unemployment insurance measures and stated his own philosophy in this area. Further discussions centred on Canada-U.S. economic relations and the foreign investment review legislation.

international/domestic environment



International Environment: One of the Department's major responsibilities is to improve the international trade environment for Canadian goods and services by achieving easier access to foreign markets and by developing and implementing programs that enable Canadian business and industry to take advantage of that access to the fullest degree.

Canadian response to developments in the trade policy field and changing international economic conditions require co-ordination between federal agencies, the provinces and the private sector. The Department has a central responsibility in the development of these responses and in the creation of trade policies for individual country and regional markets, policies designed to ensure that trade promotion and trade policy initiatives work together in obtaining and exploiting access to foreign markets.

Trade with the United States expanded by 25 per cent in 1973 and now accounts for 69 per cent of Canada's world trade. The year saw a shift in the U.S. global balance of trade from a major deficit to a surplus position. This, coupled with a growing concern in the United States over security of supply of raw materials, improved access to foreign markets, and new economic policy initiatives in Canada, has added new dimensions to our trading relationship. Trade legislation was introduced in the Congress to provide the framework for U.S. participation in the forthcoming round of tariff and trade negotiations.

Measures were taken by the U.S. to control exports of products in short supply such as soybeans, feed grains, oil products and ferrous scrap, while Canada took parallel action to minimize the impact of these measures on the Canadian market. Discussions were also held with the U.S. to ensure that reasonable supplies of these products would be available for Canada's traditional requirements. Commodity shortages have created pressure in the U.S. to modify import restrictions against Canadian exports of bond paper, wood pulp, lead, pig iron, cheddar cheese, milk powder, potash and other products.

Energy policies and cross border agricultural trade were major issues, and bilateral talks were held on the latter, well as in other areas, including the Automotive Agreement, the Defence Production Sharing Arrangement and the Multilateral Trade Negotiations.

The Department was active in resolving access problems in the customs and tariff areas, and problems created by the introduction of regulatory and documentation changes brought about by new emphasis in the United States on consumer protection and safety. Assistance given to Canadian exporters to meet these changing requirements has led to easier Canadian access to the large and expanding markets of the United States.

Departmental representation on the conditions of access for Canadian exports to Britain resulted in favourable



lings in British Customs for a number of Canadian exporters. In some instances, this resulted in new business for Canadian firms. Canadian exports to Britain were worth \$1.6 billion.

Under the terms of Britain's accession to the European Economic Community, duty-free quotas were established for a number of products of interest to Canada. The Department co-operated with Canadian industry in making approaches to the European Commission with the objective of obtaining satisfactory levels for these quotas in 1974.

Efforts to improve trade with the enlarged European Community have had two main goals — to negotiate improved terms of access to EEC markets, and to develop improved communications with the central bodies of the Community in order to strengthen our relations generally with the EEC.

An example of these efforts is the semi-annual discussions between Canadian officials and representatives of the European Commission. The last meeting was in November 1973 when a delegation of 15 EEC officials headed by Sir Christopher Soames, Vice-President of the EEC Commission responsible for external relations, came to Canada.

Canada has been negotiating with the Community, under the rules of the GATT, to obtain compensation for our loss of rights resulting from the accession of Britain, Ireland and Denmark to the European Community. Although these negotiations have not yet been completed, it is Canada's objective to obtain a balanced settlement providing reasonable compensation in the EEC for our loss in both the agricultural and industrial sectors.

Free-trade agreements between the European remaining members of the European Free Trade Association and the

European Community began to take effect in April 1973. Since that time, Canada has participated in discussions with the European countries concerned both in the GATT context and bilaterally in an effort to minimize any adverse effects of these agreements on Canadian exports.

During his visit to China, in October Prime Minister Trudeau and Premier Chou En-lai signed the Canada-China Trade Agreement. This agreement replaces the Modus Vivendi of 1946, which formerly covered trade between the two countries. Among other things, the agreement establishes a joint trade committee to review the previous year's trade and to plan trade activities for the forthcoming year. The first annual meeting of this committee was held in December in Peking.



Mr. Gillespie visited Japan in September as head of the Canadian delegation to the opening session of the Multinational Trade Negotiations sponsored by the GATT. At this time he also held discussions with the Japanese Minister of International Trade and Industry, Mr. Nakasone, and several other senior government and business officials. Mr. Gillespie also led a group of 36 Canadian industrialists to Moscow in October. This mission was held in conjunction with the third meeting of the Mixed Commission established under the Canada-USSR Industrial Exchange Agreement. In January, Mr. Gillespie led a high-level trade mission to Mexico, and played an important role in the Canada-Mexico ministerial meeting held in Mexico City that same month. Among the decisions taken at that meeting was one to establish a Joint Canada-Mexico Working Group on Power, and a second to create a Canada-Mexico Committee on Tourism.



Britain's decision to enter the European Common Market terminated the separate bilateral trade agreements between the United Kingdom and Canada, Australia and New Zealand. Separate exchanges of letters have now been signed between Canada and Australia, and Canada and New Zealand with a view to preserving, as far as possible, the tariff preferences exchanged between Canada and these two countries.

In October and November, Mr. J. F. Grandy, Deputy Minister, led a Canadian trade development mission to Australia, New Zealand and Fiji. In each country, members of the mission from both private and public sectors of the Canadian economy met with their local counterparts to promote increased commercial exchanges with Canada and to identify opportunities for increasing Canadian exports. In March 1974, Mr.

Grandy led an official trade delegation to Cuba, where discussions ranged over a broad area of Cuban import requirements and export interests.

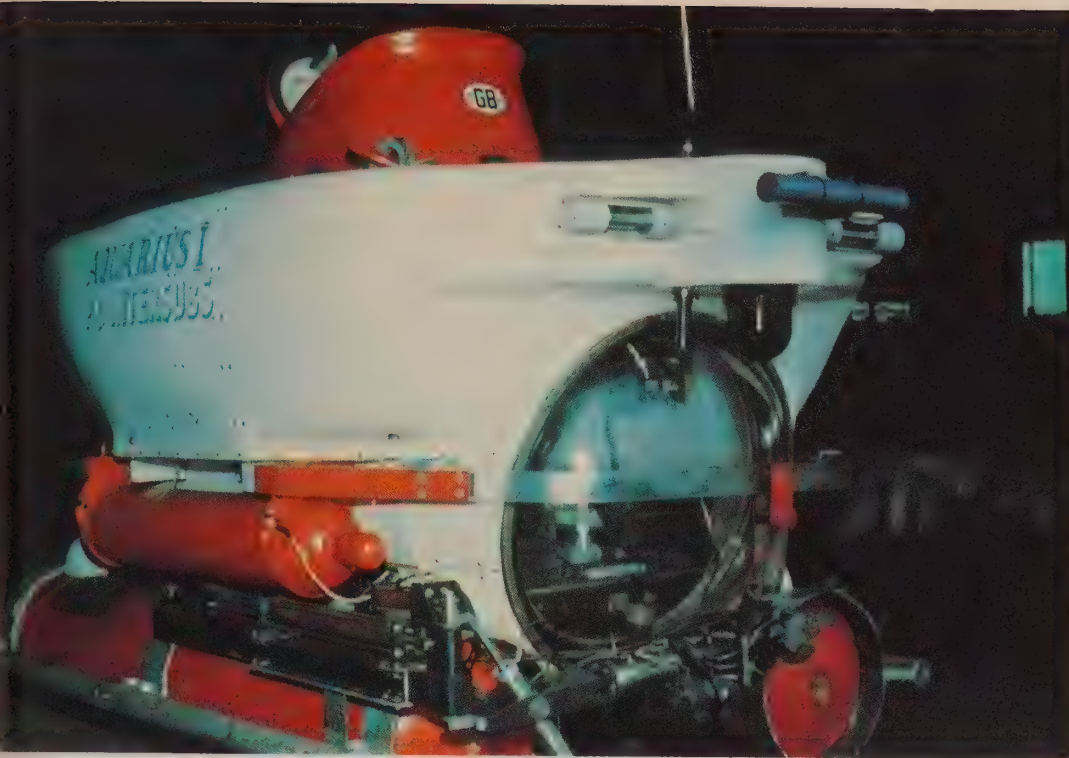
Senior departmental officials conducted joint trade discussions with India in Delhi in November and participated in the second Canada-New Zealand Consultative Committee, which met in Wellington in February. Bilateral discussions were held also with Poland to obtain information about future Polish import requirements and to inform Polish officials of Canadian export capabilities and credit facilities. The Department was also involved in the visits to Canada by the Polish Minister of Forest and Wood Industries in September, the Polish Minister of Energy and Power in October, and the Bulgarian Deputy Minister of Trade in July.

A new round of multilateral trade negotiations to be conducted within the auspices of GATT was officially opened at a ministerial meeting of participating countries at Tokyo in September, 1973. Ministers accepted the Tokyo Declaration outlining scope, principles and objectives of the negotiations. The Declaration also established a Trade Negotiations Committee to develop negotiating procedures and to supervise the progress of the negotiations. Canada's objectives, as described by Mr. Gillespie in his address to the Tokyo meeting, are to:

- reduce or eliminate trade restrictive or distorting effects of non-tariff measures and to bring such measures under more effective international scrutiny and discipline;
- substantially reduce tariffs on both industrial and agricultural products;
- improve the terms of access for Canada's agricultural exports;
- to carry out, in carefully defined and selected sectors, a comprehensive attack on all barriers to trade, especially where these impede the processing and upgrading of resources in the country of origin;
- improve opportunities for developing countries to increase their export earnings.

Canada has participated actively in the Trade Negotiations Committee and its sub-Groups. The Negotiations will reach a more intensive stage following passage of the United States Trade Reform Act.

In the field of commodity trade, a two-session UN Sugar Conference was held in 1973 to extend or replace the 1968 International Sugar Agreement (ISA). Because exporting and importing countries were unable to agree on price or



her economic provisions, the present 10-year Agreement is limited to consultation and exchange of information. Up to the end of 1973, Canadian consumers benefited from the ISA provision ensuring us most of our sugar requirements at the maximum price under the agreement. But beginning in 1974, exports had to be paid for at the world market price, which was at an abnormally high level.

Other agreements limited to consultation and exchange of information cover wheat and coffee. The International Wheat Agreement has been extended for a further year to June 30, 1975, permitting time to develop a more comprehensive Agreement. The IWA maintains the Food Aid Convention whereby member countries are committed to donate more than four million tons of grains yearly to the developing countries. The International Coffee Council, of which Canada is a member, resolved in April 1973 to extend the 1968 International Coffee Agreement without economic provisions, and agreed to attempt to negotiate a new one before the end of 1974. Canada is a signatory to agreements covering cocoa and tin.

On March 14, 1974, Canada agreed to adhere to the multi-fibre Arrangement regarding International Trade in Textiles (ITA), the new GATT textile agreement, which establishes an improved and recognized international framework to govern world textile trade.

Canada stands to benefit from the ITA

in that it provides an important assurance that international trade in textiles will be conducted in an orderly and equitable manner so as to avoid the damaging effects of disruptive imports.

Results of the Department's active export promotion became even more evident in the rapid growth of demand for Export Development Corporation (EDC) assistance in the form of export credits insurance, guarantees, foreign investment insurance and direct long-term financing. The legislative ceiling was nearly doubled to \$1.5 billion in April 1973 as a stopgap measure for such lending at corporate risk. Further legislation to substantially increase all the statutory ceilings under the Export Development Act received first reading in March 1974. EDC reports to Parliament through the Minister of Industry, Trade and Commerce.

The Department collaborated with the Canadian International Development Agency (CIDA) in a fundamental review of government aid policies and in drawing up a policy for 1975-80 for government consideration in 1974 with a view to ensuring that bilateral and multilateral aid programs take fully into account Canadian export development objectives.

Steps were taken to give additional help and guidance to the business community regarding internationally-financed export opportunities in developing countries. A seminar program was initiated to acquaint exporters with bilateral and multilateral financing agencies, their procedures and sales opportunities.

Under this program, more than 50 presentations were made to provincial governments, trade associations and companies during the past year. A computerized data bank reporting system was developed to provide exporters with advance notice of multilaterally financed project opportunities, and an international document reference service was established to provide detailed project information on all signed multilateral loans. Increased facilities were also made available to give individual exporters expert advice both in identifying potential markets as far as bilateral, commercial, and multilateral financing is concerned, and in arranging financing and making financial proposals for specific sales opportunities.

Transportation matters relevant to the conduct of trade continued to occupy the Department's attention in 1973/74. Stemming from a resolution of the Third United Nations Conference on Trade and Development in 1972, the UN General Assembly convened a conference of plenipotentiaries in November/December 1973 to establish a code of conduct for liner conferences; i.e., for the associations of ocean carriers that regulate rates, charges and conditions for the transportation of most of the general merchandise entering ocean-borne international trade. Because the work could not be completed in the original time span, the conference was resumed in March 1974 in an atmosphere of conflicting interests. With concern for the unhampered flow of trade predominant in the formulation of a Canadian position, the Department, following consultation with interested parties including the Canadian Shippers' Council, assumed major responsibility for representing Canadian views on the provisions of a code.

Expecting a conference in 1975 to adopt a convention on intermodal transport, the Department engaged in preparatory work on significant features of a convention, including key provisions for a system of liability and an assessment of economic, commercial and institutional implications.

With a view to facilitating trade procedures and setting compatible standards for containers, pallets and packages, the Department participated in activities of the Canadian Organization for the Simplification of Trade Procedures, the Standards Council of Canada and the Canadian Standards Association.

The Department continued to be active in missions and exchanges under the bilateral science and technology agreements with Belgium, the Federal Republic of Germany and the U.S.S.R. The second meeting of the Mixed Commission with Belgium took place in Ottawa while consultations with the Federal Republic of Germany were held in Bonn. These consultations reviewed the progress of co-operation in scientific and technological fields and identified new areas for collaboration. Industry-to-industry co-operative projects have been undertaken in the areas of electric power and marine technology, with Canadian companies receiving support through the Program for the Advancement of Industrial Technology. The Department regards this activity as a means of identifying and transferring technology that is of interest to Canadian industry, and of developing European interest in Canada as a supplier and partner in the development of new technology.

The eight Working Groups established under the 1971 Agreement with the U.S.S.R. on Co-operation in the Industrial Application of Science and Technology have continued their visits and exchanges. The earlier information and familiarization visits have now been superseded by exchanges, symposia, joint projects on more specific topics of mutual interest that are expected to be of value to Canadian industry. A key objective is to acquaint Soviet Industrial Ministries with Canadian expertise in fields that have a significant potential for capital sales.

The Department also took steps to develop new contacts with Japan and Britain in the industrial application of science and technology. In addition, it took part in UN, OECD and EEC consultations on a variety of metals and minerals, including iron ore, steel, coal, lead, zinc and tin, and considerable work was done in the field of lumber and plywood standards, both in Europe and



apan. The recently introduced Japanese building standard recognizes Canadian grades and sizes.

Domestic Environment: Major efforts are being made to ensure that industrial policies and programs are applied in a way that will enable individual industry sectors to make the greatest possible contribution to Canada's industrial development. An important event in fiscal 1973/74 was the approval by Parliament of the Foreign Investment Review Act. The Act, which received Royal Assent on December 12, 1973, requires the Canadian government to review and assess certain categories of foreign investment, including foreign acquisitions or control of Canadian businesses above a certain threshold size, and to review the establishment of new businesses in Canada by any foreign investor, if the latter is not already doing business in Canada or if his new business in Canada would be unrelated to the businesses already being carried on by him in Canada.

The purpose of the Act is to ensure that future foreign investments in Canada will be allowed only if they bring significant benefit to the country. In assessing whether a proposed foreign investment offers significant benefit to Canada, the Government is required to take into account five assessment criteria listed in the Act. Where a proposed foreign investment does not, in the form in which



is initially proposed, offer significant benefit to Canada, the government may want to discuss with the foreign investor whether he is prepared to modify his proposal to bring it more into line with these criteria.

Decisions to accept or reject a particular investment proposal will be made by the Cabinet, on the recommendation of the Minister of Industry, Trade and Commerce. The Minister, in turn, will receive advice from the new Foreign Investment Review Agency.

In order to improve its services to business and bring about better co-ordination with the provincial governments on industrial, trade and tourism matters, the Department re-organized, strengthened and expanded its Regional Offices. An important aspect of this decentralization program was the decision to administer a number of industrial incentive and development programs on a regional basis. The Department's efforts in this area were directed primarily at increasing responsiveness to and communication with provincial government organizations, and at expanding regional industrial development and export promotion services to medium and small sized businesses regardless of a company's location. The number of Departmental personnel in the regions was increased to 82 and a new office was opened in St. John's, Newfoundland, adding to the eight previously established offices.

The Department launched a number of major policy re-assessments aimed at overcoming certain industrial policy constraints. These re-assessments included: a comprehensive review of the Department's industrial support programs (PAIT, IRDIA, DIP, etc.), to increase their efficiency and effectiveness; an examination of ways and means to decentralize a number of these programs; an exploration of mechanisms for improving federal-provincial consultation in program development and administration, and for more effective communication with the business community.

Following a comprehensive review of all circumstances affecting the footwear and tanning industries, the Department launched a new set of policy measures for these industries to help them become more competitive both in export and domestic markets.

Work proceeded, in consultation with industry and the provinces, on the development of sector policies for a number of other industries, including: aerospace, ball and roller bearings, computers, man-made fibres, nuclear power equipment, petrochemicals, printing and publishing, pulp and paper, urban transportation, and offshore exploration equipment and services.

The Department took an active part in OECD studies of the aeronautical, textile, and clothing industries, leather and





footwear, primary aluminum, construction, iron and steel, pulp and paper. It participated also in reviews of foreign investment and multinational enterprises, a comparative review of industrial policy instruments and a review of major industrial policy developments, a study of the service sector, a review of the implications for industry of the energy and raw materials supply situation, and a study of the quality of life in the workplace.

In addition, the Department joined other federal agencies in policy assessments of direct concern to Canadian industry, including taxation, labour legislation, energy policy, minerals policy, regional development, competition policy, tariffs and environmental protection measures.

During 1973/74, progress was made towards stabilizing employment and improving conditions in the textile and clothing industries in accordance with the policy announced in May, 1970. Last fiscal year, the Textile and Clothing Board completed its inquiry into terry towels and undertook a new inquiry into nylon and filament rayon broadwoven fabrics. The Board also reviewed the situation regarding cotton yarns, shirts, acrylic yarns, knitted fabrics and broadwoven polyester filament fabrics. The

purpose of these inquiries is to determine whether imports of textiles and apparel are causing or threatening to cause serious injury to Canadian production. If such injury exists or is threatened, and if Canadian producers have submitted acceptable plans for improving their competitive ability, the Board may recommend introduction of special protective measures. The Board keeps these measures under continuous review and reports on the situation as required.

Under the National Textile Policy, export restraint agreements covering 14 textile products and one non-textile item were negotiated with 11 countries. The global quota on low-priced shirts was extended for another year as was the mixed export restraint-quota system on cotton yarns.

The textile industry made substantial gains in sales and profits in 1973/74. The domestic market for textiles expanded by more than 13 per cent in 1973, exports increased by 28 per cent while import penetration rose by 15 per cent. Although production during this period was affected by shortages of labour and yarn, the labour problem has recently shown a marked degree of improvement, and the yarn supply situation appears to have eased.

The Canadian apparel industry continued very buoyant, with domestic and export demand at an all-time high thanks to the industry's ability to offer innovative styling in a quality product. Rising costs of materials led to higher prices for finished clothing.

The past fiscal year was one of healthy growth for the furniture industry. The value of factory shipments exceeded \$1 billion, although rapidly escalating world demand for raw materials created



serious supply problem and resulted in prolonged delivery schedules for furniture.

The cultural industries sector (sound recordings, films and printed matter) too was marked by impressive growth during fiscal 73/74, although rising material costs resulted in upward movements in prices. Continued expansion was also experienced by the sporting goods and toy industries, where the value of shipments in 1973 exceeded \$315 million, with foreign sales accounting for \$50 million. While Canadian-designed jewellery is achieving international recognition and new export markets are opening up, imports continued to dominate the domestic market for giftware.

1973/74 was a busy year for the Canadian crafts industry, but craftsmen were not always able to meet demand for their products. Further encouragement is being given to the formation of a national association that would represent Canadian craftsmen and co-ordinate activities to the benefit of the industry.

To provide a co-ordinated industry-government approach to the development and marketing of Short Takeoff and Landing (STOL) transportation systems, the Department continued to fund the STOL Industry Systems Office (STOL ISO) — a consortium of several avionics firms that can collectively develop, supply and market all the elements of a fully integrated STOL system based on the DHC-7. Present plans call for the 48-passenger aircraft to make its first flight towards the end of 1974, with airworthiness certification expected by the end of 1975.

Other noteworthy developments in the aerospace field last year included the construction of a successful prototype of the Trident Trigull amphibious flying boat, a unique air cushion landing system, and a new rocket for meteorological research. Research and development continue apace on new and improved turboprop and turbofan engines. Canada's 40 aeroindustry subcontractors experienced rapid growth in business and have long-term commitments, as a result of increasing sales of Canadian gas turbine engines.

Consumer demand in Canada for tent trailers, travel trailers, truck campers and motor homes continued strongly despite the adverse effect of the energy crisis in the latter part of 1973. The Canadian boat building industry's international reputation for quality design and performance provided increased export opportunities in both the United States and Europe.

Owing to delays in major construction projects in northern Canada, sales of off-road tracked and wheeled vehicles fell slightly below 1972 levels. A study of this industry sector revealed the importance of the growing export market for this type of vehicle. Sales over the next two years are expected to increase sizably as a result of increased export trade promotion being conducted by both the manufacturers and the Department.

Demand in Canada for automobiles has continued at the same high rate as in 1973. Although the industry has not been working to its full capacity due to the cutback in demand of standard size cars in the United States, all facilities that are related to the manufacturing of smaller vehicles are working at maximum production.



Heightened interest in many forms of urban transportation, both in Canada and elsewhere, has encouraged the development of new and improved transit systems. The Department continued to support industrial response to this opportunity, initiating market studies and funding relevant research and development activity. While many of the supported projects are necessarily medium term, initial successes include the establishment in Canada of an internationally recognized capability in the development of linear induction motors.

Record demand for transportation in 1973 caused the railways to embark upon an unprecedented rolling stock procurement program. Orders were booked for more than 12,000 cars, a 100 per cent increase over the average of previous years. The Department continues to encourage research and development within the railways and the manufacturing industry, in order to further reduce dependence upon imported technology,

and to provide a broader base for the development of export products. The onset of the energy crisis and a steady rise in the cost of energy resulted in intensified interest in railway electrification. Industry has accelerated research and development into electrification and economic studies are being undertaken. Design and development of passenger and commercial electric vehicles is being encouraged.

Demand for urban transit buses, small feeder buses, and intercity coaches has



remained strong as a result of the emphasis placed on urban transportation systems. Intercity bus bodies are now being manufactured in a new facility in Winnipeg, with exports to the United States continuing at a very high level. Several initiatives have been undertaken by Canadian corporations in the development of small specialized buses for the Dial-A-Bus service, which is becoming more commonplace in Canada. Demand for commercial vehicles, both highway and off-highway has also remained strong with order backlogs running at approximately nine months.

During 1973, Canadian shipyards continued to operate at a high level of production. With the assistance of the Shipbuilding Temporary Assistance Program (STAP), several major export orders were booked during the year, and at three of Canada's largest shipyards this will mean long production runs of similar vessels, permitting significant improvements in efficiency. Since the inception of STAP in 1970, employment in the industry has increased from 11,000 to about 17,000.

In the 1973-74 fiscal year, the Canadian metals and minerals industry was operating at a high level, and order books were full. The serious steel shortage that developed during the year, accompanied by high costs for raw materials and a ferrous scrap shortage, led to intensified discussion with the steel industry. In consultation with the industry, the Department developed and implemented a new ferrous scrap policy designed to safeguard Canadian requirements.

Asbestos, copper, aluminum, lead, zinc and ferro-alloys continued to be in short supply on both the domestic and international markets. Supplies of nickel and uranium were plentiful, however, and the demand for these commodities strengthened towards the end of the year. In consultation with interested companies, the Department investigated possibilities for the construction of a facility in Canada to produce high nickel alloys. The Department participated also in consultations with the Departments of Regional and Economic Expansion and Energy, Mines and Resources on matters concerning the regional expansion of the metals and minerals sector, and the creation of a minerals policy for Canada. Encouragement of further processing of various metals and minerals prior to export has resulted in a hold-the-line approach to market development for certain primary metals and minerals. Work continues on the more rational use of Canada's hardwood resources through close liaison with the province with a view to shaping policies aimed at encouraging an increase in the use of less desirable hardwood species such as Aspen, White Birch and soft Maple.

During the year, the Department compiled and distributed demand/supply forecasts for wood-based panel products for use in construction to encourage the orderly growth of the industry, particularly of the particleboard sector.

The two-year work program aimed at formulating a policy for the development of Canada's forest-based industries culminated in the establishment of a Federal/Provincial Forest Industries Development Committee in which all the provinces are participating actively. The establishment of this Committee is looked upon as a major step in harmonizing federal and provincial government policies affecting the forest industries, and in strengthening Canada's competitive presence in world markets through the optimum utilization of her forests.

Shipments of the electrical and electronics industry in 1973 increased to \$3.95 billion, imports rose to \$2.22 billion, while exports approached

\$800,000, representing growth from 1972 of 8.7 per cent, 20.3 per cent and 23.3 per cent respectively. The Apparent Domestic Market (ADM) reached \$5.4 billion, with a trade imbalance of \$1.4 billion or 26.5 per cent of the ADM. Over the past 10 years, the industry has been losing its share of the ADM at a rate exceeding 1 per cent per year.

Industry production is split between three sectors — electrical (38.2 per cent), electronics (34.6 per cent), and consumer products (27.2 per cent), with the electronics sector accounting for 57.1 per cent of the industry's imports and supplying 71.7 per cent of its exports. Of the three sectors, consumer products achieved the greatest percentage increase over 1972 in shipments and exports, and the smallest percentage increase in imports.

The electrical industry experienced serious shortages of steel and insulating materials such as polyethylene, neoprene, rubber, and even paper. Consequently, delivery performance suffered and valuable export customers were obliged to revise plans. Discussions were held with manufacturers and industry associations to investigate the extent of shortages. In serious cases, temporary duty remission was recommended.

The Department continued to devote considerable attention to computer/communications policy through committee meetings, studies and papers. In addition, it provided considerable assistance to the Electrical Products Committee to develop recommendations for the first National Economic Outlook Conference, held in December 1973.

Surveillance of national and international developments in electrical/elec-



tronic standards and certification was maintained, and appropriate inputs made, particularly regarding the application of standards as non-tariff barriers to trade.

During the year, shortages became particularly evident in the field of petrochemicals. The Department has been making considerable efforts to alleviate and minimize the effect of these shortages by helping the industry to achieve an equitable distribution of available supplies, and by arranging for additional sources of supply.

With a view to optimizing the potential of this important sector in Canada, the Department has established a set of petrochemical policy guidelines providing for an orderly and balanced expansion of the existing major petrochemical centres in Quebec, Ontario and Alberta, based on the availability of petroleum feedstocks at prices fully competitive with those of other countries. These feedstocks will be upgraded to the maxi-



maximum extent possible in a number of new, world-competitive processing plants, designed to supply both domestic and export markets. Several major projects being finalized by the Canadian chemical industry for completion in the late 1970s are expected to provide a broad base for a greater degree of Canadian self-sufficiency in petrochemicals and derivatives.

During the recent international petroleum supply crisis, the Department participated actively in a number of interdepartmental and Government committees and task forces formed to assess the impact of these developments on the Canadian economy, to overcome difficulties created by the crisis, and to ensure an orderly adaptation to new conditions.

Since its first meeting in January, 1972, the Metric Commission has organized 60 sector committees covering all sectors of the Canadian economy. Committee members include representatives from industry and commerce, associations, provincial governments and other concerned bodies.

A conversion plan for each industry is developed by the corresponding sector committee and is then approved by a steering committee. Investigation, planning, scheduling and implementation ensure, as far as possible, that programs are phased and co-ordinated to maximize the benefits of conversion while

minimizing the costs. By the end of the 1973-74 fiscal year, the Investigation phase was substantially complete in most sectors of the Canadian economy.

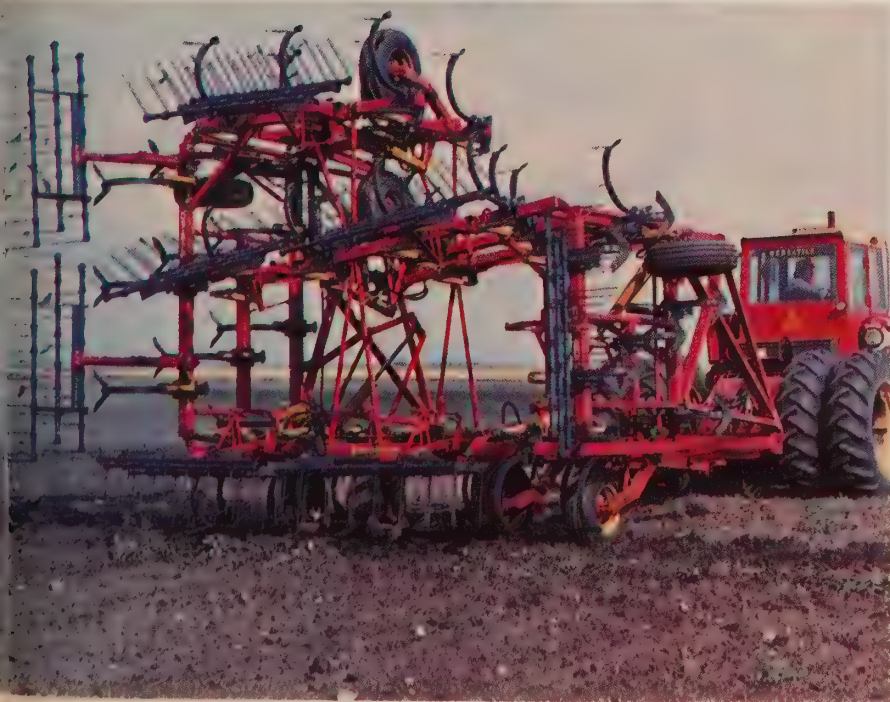
Publicity during 1973/74 included exhi-



bits in a number of trade fairs and exhibitions, periodical bulletins distributed to a mailing list of more than 35,000, a colour documentary film, and the publication of several pamphlets, booklets, brochures and posters. To facilitate response to public demand for information, a mailing address for the general public was established, and by the end of the year, several thousand individual pieces of mail were being sent out daily, showing growing public interest in metric conversion.

The Interdepartmental Committee for Metric Conversion, through liaison with the Metric Commission and its sector committees, continues to plan and co-ordinate metric conversion in the federal government.

The Committee has identified all "measurement sensitive" legislation and has established priorities for amending that legislation to metric language. It is also studying ways and means for processing the amendments as expeditiously as possible. The Committee has identified potential metric conversion problem areas and is co-ordinating appropriate solutions among departments and agencies.



market development



Through its market development activity, the Department helps Canadian industry to exploit trade opportunities world-wide. Efforts continued during the year to establish new and improved marketing programs aimed at increasing exports of manufactured goods and services. Established exporters were encouraged to expand their product and service lines as well as their world market coverage. Domestically-oriented companies were assisted to enter the export market. Market development services include:

- Analyses of international trade trends and surveys of new opportunities for Canadian exporters.
- Continuing day-to-day assistance to exporters through the Department's offices in Canada and abroad.
- Direct promotional support through trade fair participation, trade missions, in-store promotions, export publicity, and visiting buyers' programs.
- Indirect market support through the Program for Export Market Development, which offers industry financial incentives to expand marketing activities.

Field Services: The Trade Commissioner Service offers overseas assistance to Canadian exporters and protects Canadian commercial interests abroad through 84 offices in 59 countries. By year end, 288 officers were conducting trade promotion abroad or were participating in the Department's Interchange Program; 33 were seconded to the foreign trade service from other branches of the Department or from other federal agencies.

Promotional Projects Program: This highly effective program, comprising

trade fairs, missions and visitors project, has long been one of the cornerstones of the Department's activities to promote export sales of Canadian products and services. In 1973/74, a record number of promotional projects were successfully completed. The Department helped 427 companies to participate in 44 international trade fairs; information booths were used to distribute trade literature at seven other exhibitions; and Canadian products were sold at in-store promotions in Japan and the United States. Senior trade missions visited Australia, New Zealand, the Soviet Union and Mexico; nine commodity-oriented outgoing trade missions took 200 Canadian businessmen to 17 countries; 20 incoming missions brought 291 foreign businessmen to Canada; and a further 1,200 foreign buyers visited Canadian suppliers.

Export Publicity: The Department's export publicity program to inform potential foreign buyers of Canadian capabilities and products and to generate direct sales prospects for Canadian firms was continued. Canada Courier, the export promotion newspaper that describes exportable Canadian goods and services and is distributed to overseas buyers, drew 12,730 inquiries in 1973/74 compared with 12,000 the previous year. Sixteen new export promotion directories and catalogues promoting various sectors of Canadian industry were produced and distributed abroad.

In February 1974, Canada Commerce, the department's monthly magazine for the Canadian business community, celebrated its 70th year of publication. It continues to feature articles on foreign trade, market opportunities and domestic business and industry. A special co

memorative edition was published in February, featuring the world of Industry, Trade and Commerce in 1904, when Canada Commerce was first published.

Program for Export Market Development: During 1973/74, the Department approved 1,035 applications for assistance under PEMD for a total contribution of \$4 million to Canadian firms to expand their marketing programs. Through PEMD, the Department offers financial incentives in the form of repayable contributions to Canadian companies to carry out additional marketing ventures. Contributions are repayable only in the event that the project is successful in generating sales or contracts. The program, now in its third year of operation, has added a fifth section to encourage a greater number of small and medium-sized manufacturers to enter markets abroad.

This new section assists companies with similar or complementary products to form export consortia. It goes one step beyond the assistance available to trading companies and agents in that it is designed to help a group of companies to maintain the initial operation of a consortium for a period of up to three years. Applications to date have been encouraging. Once again, the contribution is repayable only in the event that a consortium is actually formed and sales result. To date, PEMD has helped Canadian firms to win sales and contracts worth about \$182 million. The five sections of the program are:

- Incentives for participation in capital projects abroad
- Market identification and adjustment



- Incentives for participation in trade fairs abroad
- Incoming foreign buyers
- Export consortia formation

The Department provided greater marketing support for Canadian engineering consultants in their efforts to obtain contracts at home and abroad. Exports of engineering services in 1973 amounted to \$79.3 million, compared with \$58.5 million in 1972.

Significant progress was made in the pursuit of capital projects in the airport, tourism, health and commercial development sectors, with important contracts for services and equipment going to a number of Canadian firms.

Studies continued on methods of improving Canadian participation in inter-





national capital projects in the turnkey sector, and related discussions were held with Canadian companies, trade and industrial associations. A program to promote the export of Canadian pollution abatement services and equipment was launched, and officials from a number of countries visited Canada to examine its facilities. In addition, a seminar involving 11 Canadian companies was held in Tokyo in November, and promotional material was prepared for use at trade fairs and commercial posts abroad.

Some 40 Canadian companies participated under the auspices of the Department in the Paris Air Show in May 1973, and important sales of STOL aircraft and gas turbine engines were concluded. The Department assisted also in the organization of Canada's display at the Japan International Aerospace Show in October. During fiscal 1973/74, Canadian STOL aircraft achieved signal success in the Japanese market by being selected against world-wide competition as the first buys of the newly formed short-haul STOL airline NKA. Initial contacts made at the Canadian Trade Fair in Peking in 1972 resulted in the sale last year of 22 gas turbine engines

valued at approximately \$2.5 million to the People's Republic of China.

The Department's marketing activity led also to expanded overseas demand for small Canadian turboprop and turbofan aeroengines. In addition to increased sales to the U.S., encouraging inroads were made in Brazil, Israel, Britain, Czechoslovakia, China and Iran.

Canadian manufacturers of railway equipment enjoyed significant success in export markets during the past fiscal year. Some 142 locomotives worth more than \$60 million were sold to Greece, Ceylon, Jamaica, Peru, Yugoslavia, Tunisia and Malawi. Orders were also booked for deliveries to Cuba, Iraq and Mexico. The Cuban deal comprised 30 locomotives and 42 pieces of track maintenance equipment with a combined value of more than \$19.5 million.

A Departmental campaign to increase foreign investment in Canadian urban transportation systems and equipment is achieving considerable success. Early indications are that Canadian companies will obtain a significant share of the multi-billion-dollar foreign market.



because of the very high demand in North America for all types of commercial vehicles, efforts in other export markets have been minimal. However, large mine dump haulers were sold to Yugoslavia and off-highway logging trucks were in demand in the Pacific Rim area.

Canadian manufacturers of specialized vehicles used in the fast-changing air transportation field are gaining international recognition for product innovation and dependability. Export opportunities for crash tenders, aircraft refuellers, runway sweepers and snowblowers were actively pursued with Departmental assistance, in such areas as India, Eastern Europe and the Middle East.

Increased emphasis was placed on the sale of automotive parts to Europe and Japan through a mission to EEC countries, missions from Japanese industry, and sponsorship of exhibitors at the 20th Tokyo Motor Show.

Among the most notable orders received by Canadian shipyards were: an order for \$80 million for six cargo vessels to Greece; an order valued at \$160,000 from the Cuban Government for the manufacture of propulsion units, this being the first sale of Canadian-built marine equipment to Cuba; a \$22 million order from a Bermuda-based firm for two bulk carriers to be built by an Ontario shipbuilder under the STAP program; an order worth \$7.9 million for the construction of a unique 15,000 ton self-propelled, self-dumping log barge to be used in British Columbia coastal waters; and an order for 11 vessels of various types, valued at \$9 million, to be built in British Columbia and used in oil exploration in the Beaufort Sea and Arctic Islands.

Aggressive sales efforts by Canadian companies, and the various marketing activities sponsored by the Department in 1973/74 resulted in the completion and placement of orders for: eight supply vessels exceeding \$2 million each; two semi-submersible drill rigs at about \$5 million each; one fully dynamic positional semi-submersible drill rig at about \$40 million; and four deep-diving submersibles at about \$2 million each; a special field marketing trip to oil industry vessel users in the southern United States produced several sales and many inquiries for a great variety of offshore supply vessels, drill rigs and other equipment. More than 20 companies participated, under Departmental auspices, at the 1973 Offshore Technology Conference held in Houston, Texas, and about 10 participated in the trade fair "Interocean '73" in Duesseldorf, Germany.



In an effort to increase exports of Canadian lumber, plywood, and other building materials to several off-shore markets, emphasis was placed during the year on the promotion of the Canadian timber-frame system of residential construction. One of the principal instruments of lumber and plywood promotion is the five-year Co-operative Overseas Market Development Program, which is jointly funded by this Department, the province of British Columbia and the B.C. Council of Forest Industries.





A mission of building officials from The Netherlands toured Canada to investigate Canadian timber-frame construction methods, and audiovisual programs in the Dutch language are being used to educate Dutch contractors in Canadian wood frame construction methods. In addition, the Department participated in the Salon de Batiment in Brussels in February 1974.

During 1973, several missions of Japanese housing officials further investigated Canadian timber-frame construction methods and manufacturing facilities. In order to gain acceptance for Canadian lumber plywood and building components in the Japanese market, the Department worked closely with the committees drafting Japanese building codes and timber standards. This initiative was a pivotal point in the Department's program to upgrade wood product exports to Japan from rough

wood squares to finished lumber and secondary wood building products. Construction of a demonstration house project showing the Canadian timber-frame system of residential construction was started on Canadian government property in Tokyo.

The Department hosted an incoming coal and iron ore mission from France. The French are interested in long-term commitments and the mission presented an excellent opportunity for Canadian companies to demonstrate their ability to supply. Arrangements were also made for numerous business and government officials from various countries including Brazil, Germany, Italy, Sweden, Japan, Korea and the United States, to visit coal mines and companies across Canada.

Export promotion in support of the clothing industry continued in Britain, the United States, Japan and Canada, resulting in a 25 per cent increase in total exports to \$115 million. Value of exports to the United States increased by 20 per cent or \$14 million. In line with the objective of diversifying exports, shipments to Western Europe increased by \$9 million or 45 per cent, and to all other regions by \$1.3 million or 28 per cent. Sales of Canadian clothing to the Japanese market continued.

Through the Export Market Development Program, potential markets for office and contract furniture were identified in Europe, the Caribbean, Central America and the United States. The Department also helped the furniture industry to investigate and develop markets for household furniture in the United States and Japan.

Export promotion on behalf of the book publishing industry was conducted in the United States and in the European Economic Community through participation at seven major international book shows. The Association for the Export of Canadian Books, an umbrella corporation jointly financed by the industry and the Department, officially opened a book centre operation in Paris, France, in October 1973, under the name "Livres du Canada s.a." The centre handles more than 1,000 French-language titles from 30 publishing houses. In addition, the Department helped the book sector to create an annual national book design competition to help achieve and maintain high standards of book design and production. This should make Canadian books more competitive both in Canada and abroad.

The Department helped Canadian machinery manufacturers, engineers and consultants to arrange sales throughout the world, particularly in developing



countries. It played an important role in the sale of power boilers to Barbados, Ecuador, Guatemala, Indonesia, Iran, Israel, New Zealand, the United States, Turkey and Thailand, and packaged gas turbine generating sets to China, Egypt, Jordan, Libya, Mexico, Nigeria, Peru, Saudi Arabia and Britain.

In the mining and metal processing field, engineering services and equipment were supplied for mini-steel plants in the United States and Britain, a galvanizing and slitting line in Costa Rica, a metal strip paint line in Spain and South Africa, continuous casting equipment in Mexico, mining and hoisting equipment for an electrolytic tin and chrome plating plant in India, an electrolytic tin plating line in Peru and a lead-zinc-silver concentrator in Ireland.

Other major equipment sales included pulp and paper mill to Turkey, sawmill machinery to New Zealand, an integrated wood products complex to Iran, skid lift trucks to Tanzania, construction equipment to Nigeria, concrete extrusion systems to Poland, tobacco and potato harvesting equipment to Eastern Europe, auto service station equipment to Japan and Europe, snow making equipment to France, and worldwide sales of air conditioning and heating equipment.

Defence Export contracts placed with Canada by NATO and other friendly countries amounted to \$274.7 million in 1973/74. Imports of defence equipment amounted to \$308.5 million in the same period. Canada continued to co-operate with her allies in defence planning through co-operative defence research, development and production programs coordinated by the Department. Many of these programs have civilian applica-



tions and represent advanced technology in the field of communications, navigation and transportation equipment.

An electric power mission visited the People's Republic of China in August and September, export opportunities were identified, and sales of power generation equipment to China ensued. Important orders amounting to more than \$20 million were placed with Canada by Light Services of Brazil, and large hydro generators worth \$15 million were sold to a Venezuelan utility. The Department's marketing activity led also to significant orders for electrical and electronic products from Cuba, Ecuador, Thailand, Taiwan, and the U.S. In addition, officers from the Department met with visiting power utility officials, consulting engineers and industry representatives to discuss opportunities for Canada to serve the Latin America market.

Promotional activities on behalf of the telecommunications sector were under-

taken in Africa, resulting in contracts worth more than \$37 million; and marketing activities in China are on the verge of producing the first in an expected series of sales in the multimillion-dollar category. Discussions are continuing with East European nations interested in purchasing similar equipment from Canada.

The Agriculture and Food Products Market Development Assistance Program supported 17 projects during the past fiscal year with a total commitment of \$2.4 million. The purpose of this new program, approved in June 1973, is to sponsor market development activities that have a beneficial effect on the net farm income of Canadian agricultural producers. It is designed to encourage the development of new products in addition to expanding export markets for existing foods. To meet with approval, projects must demonstrate a high expected return in terms of incremental sales.

The Department continued to promote Canadian processed food products in the growing Japanese market through sponsorship of a series of in-store promotions that resulted in significant sales of pork, frozen vegetables, honey, cookies and candies. Canadian foods are now sold by many Japanese supermarkets.

Market Studies: During the year, a number of market studies were conducted in a wide range of industry sectors, including steel in western Africa, prefabricated vacation homes in Japan, and cut-to-size wood components for the mobile home industry in North America. The Department also explored the market potential for STOL aircraft, urban transit equipment, off-road vehicles, and plywood products.

Grains and Oilseeds Program: Grain and oilseed exports in 1973/74 reached

18.6 million tons worth more than \$2.1 billion. The government credit program continued to be an important element in these sales. Grain and grain products shipped on credit to 12 developing countries totalled almost 4 million tons valued at \$450 million.

On August 3, 1973, the Government announced detailed proposals for a domestic feed grain marketing policy, calling for a freer marketing system for domestically used feed grains to achieve pricing equity and to provide a sound long-term basis for the growth of the feed grain and livestock industries. Consultations on the proposals were held with provincial governments and the private sector, and the Department contributed to a group established to develop procedures with a view to a final statement of policy prior to the 1974/75 crop year.

The Government purchased a further 4,000 hopper cars costing more than \$100 million to increase Canada's transportation and handling capabilities. In addition, it will assist in repairing 2,400 boxcars currently out of service.

Canada was elected to the chairmanship of the International Wheat Council in 1973/74 and participated actively in the FAO Intergovernmental groups on grain and oilseeds. The Department participated also in various incoming and outgoing grains and oilseeds missions.

By providing financial assistance for market development projects, the Grain and Oilseeds Marketing Incentives Program encourages the Canadian grain and oilseeds industry to expand and diversify domestic and export markets for its products. Current emphasis is on enhancing value-added processing in Canada. Eleven projects approved under the program in 1973/74 involved financial assistance amounting to \$525,000. They included development of new





products, marketing activity in the Far East, the Caribbean and South America, and projects involving domestic handling facilities. Projects under review would involve assistance exceeding \$1.1 million.

The Rapeseed Utilization Assistance Program provides annual grants for research and development on rapeseed varieties and products to help increase use of Canadian rapeseed at home and abroad. The program, administered by the Rapeseed Association of Canada, received \$300,000 in 1973/74 to undertake 28 projects assessing the nutritional properties of new rapeseed varieties, and developing new products and processing technologies.

An important development in 1973/74 was the Government's decision to provide financial assistance for the establishment of a product development pilot plant in Saskatoon, as a joint industry and government initiative. The POS (Protein, Oils and Starch) Pilot Plant Corporation will be a non-profit corporation operational by late 1975 and will provide Canada with a unique capability to meet future demands for new grain and oilseed products. Government assistance will cover 90 per cent of capital costs, up to a maximum of \$3.6 million, and up to \$3 million for operational expenses over the first five years. Member organizations from the private sector and provincial governments will provide additional financing.

The Canadian International Grains Institute, established to provide industry and customer representatives with an opportunity to acquire firsthand training in all facets of the industry, saw its first full year of operation in 1973/74. The Federal Government provided assistance for the Institute's capital budget and currently funds 60 per cent of its operating budget.

Progress was made in the major task of



developing an industry consensus on the rationalization of Canada's grain handling and transportation system undertaken by the Canada Grains Council at the Government's request, and recommendations are currently being finalized. A World Grain Seminar organized by the Council in Winnipeg was attended by leading international grain experts.

Carrying costs and interest payments made under the Temporary Wheat Reserves Act amounted to \$5,832,840. Wheat stocks in commercial storage at the beginning of the 1973/74 crop year dropped below the designated minimum of 178 million bushels, automatically terminating the Act. Payments of interest charges on cash advances to grain producers under the Prairie Grain Advance Payments Act totalled \$1,645,101. Payments of \$69,385,925 were made to the Canadian Wheat Board under the Government's two-price wheat program, reducing bread costs in Canada by providing millers with wheat at fixed prices.

Tourism



Tourism in 1973 remained the world's fastest-growing industry, generating an income of \$28 billion. The Canadian travel industry, employing more than 780,000 people, was the country's third largest foreign currency earner last year, and travel income, exceeding \$5 billion, ranked Canada among the world's top eight travel destinations. There were more than 38 million border-crossings into Canada in 1973.

Domestic travel by Canadians has increased substantially in recent years, due in part to the Department's "Explore Canada" Program. Figures for 1973 indicate that Canadians made 160 million trips of 25 miles or more within Canada. The estimated value of in-Canada travel was more than \$3 billion, and income from international visitors in 1973 provided another \$1.4 billion. The Department projects a \$10-billion industry by 1980.

The Department's tourism marketing budget for the fiscal year was \$17.4 million, of which approximately \$1.5 million was devoted to domestic travel promotion. Overall, \$9.3 million was spent on direct mail and advertising, and \$630,000 on special exhibits and promotions.

Editorial material and photographs were sent to more than 1,000 travel editors

in Canada, the United States and elsewhere. Some 55,000 slides, transparencies and prints were distributed, and Canadian travel films were seen by 250 million viewers in the United States alone through television and direct screenings.

Some 569 travel trade representatives from Canada, the United States, Mexico, Colombia, Brazil, Argentina, Uruguay, Paraguay, Peru, Ecuador, Venezuela, Australia, New Zealand, the Fiji Islands, Japan, Britain, France, The Netherlands, Belgium, Germany, Switzerland, Austria, Denmark, Sweden and Norway, travelled across the country on 27 familiarization tours organized by the Department. Three ski seminars were conducted for 35 outdoor editors, travel agents and feature writers, and an additional 425 travel writers were invited to Canada.

The 28th Federal-Provincial Conference on Tourism was held in November 1973 in Charlottetown, Prince Edward Island. Among the highlights was the announcement by the Minister of Industry, Trade and Commerce of the reorganization and expansion of the Office of Tourism: "The reorganization of the Office of Tourism will give recognition in concrete terms to the growing importance of tourism in this country," Mr. Gillespie stated.





Representatives from the provinces and territories, several federal departments and the private sector attended a travel Industry Planning and Development Seminar held as part of the Travel Industry Development Program. Among about 50 projects undertaken during the year:

- a manual entitled "Planning Canadian Campgrounds" aimed at improving campground facilities in



Canada by emphasizing landscape design and the ingredients of operational success;

- Catalytic efforts to assist provincial associations in obtaining Departmental Management Assistance Program (MAP) funds for the training of small businessmen, such as those in the hotel and motel industry;
- a project to assist small communities in festival planning, development and operation;
- a publication entitled "Federal Government Programs Relevant to Tourism Development", which explains some 75 programs bearing on tourism;
- a project entitled "The Hospitality Resource Inventory Centre for Education" (THRICE), a means of bringing together in the Branch descriptive material on the various hospitality education programs available in the country;
- a study entitled "Passenger Air Transportation and Tourism in Canada" and a pilot project called "Hospitality Interpretation Information";
- "Smile", an audio-visual film that points out the importance of hospitality, was produced for showing at small seminars and meetings around the country.



The "energy situation" was expected to have a noticeable effect on Canadian tourism. Consequently, Departmental advertising and promotion was modified to meet circumstances created by the energy shortage. It was designed to reassure U.S. visitors, to place emphasis on group travel by the common carrier and to urge Canadians to visit their own part of Canada.



Statement of expenditures

INDUSTRY, TRADE AND COMMERCE Statement of Expenditures

Trade Industrial Program

Vote

1973-74

1, 1a, 1b	Operating Expenditures	\$ 52,617
5	Textile and Clothing Board — Operating Expenditures	169
10	Grants and Contributions	127,715
11b	Grant to the Iron Ore of Canada	10,000
Statutory	Minister of Industry, Trade and Commerce—Salary and motor car allowance	17
Statutory	General Incentives to industry for the Expansion of scientific research and development in Canada	30,416
Statutory	GAAP Insurance Losses	192
Statutory	Refunds of amounts credited to revenue of previous years	44
Statutory	Contributions to superannuation accounts	2,767
	Loans to assist manufacturers of Automotive Products in Canada	1,169
	Loans to assist Defence Manufacturers with Defence Plant Modernization	7,572
	Loans to assist the pharmaceutical industry in the manufacture of low-priced prescription drugs	250
	Loans to assist manufacturers under the General Adjustment Assistance Program	5,250
	Loans for various special projects	10,240

Tourism Program

Vote

25	Program Expenditures	19,204
Statutory	Contributions to Superannuation accounts	31

Grains and Oilseeds

Vote

30	Operating Expenditures	\$ 1,214
35	Grants and Contributions	7,391
Statutory	Payment of carrying costs of temporary wheat reserves	5,834
Statutory	Payments in connection with the Prairie Grain Advance Act	1,641
Statutory	Payments in connection with the Prairie Grain Provisional Payments Act	1
Statutory	Contribution to Superannuation Accounts	83
Statutory	Two Price Wheat	69,384

Statement of Revenues

INDUSTRY, TRADE AND COMMERCE Statement of Revenues

turn on Investments	1973-74
Interest on loans to Export Development Corporation	31,003,775
Interest on loans to assist manufacturers of automotive products	2,172,216
Interest on loans to assist the pharmaceutical industry	46,122
Sundry	240,487
funds of Previous Year's Expenditures	
Repayments re DIP	775,706
Repayments re PAIT	492,762
Repayments re PEMD	29,445
Miscellaneous Refunds	1,153,751
scellaneous	
Sundry	720,977

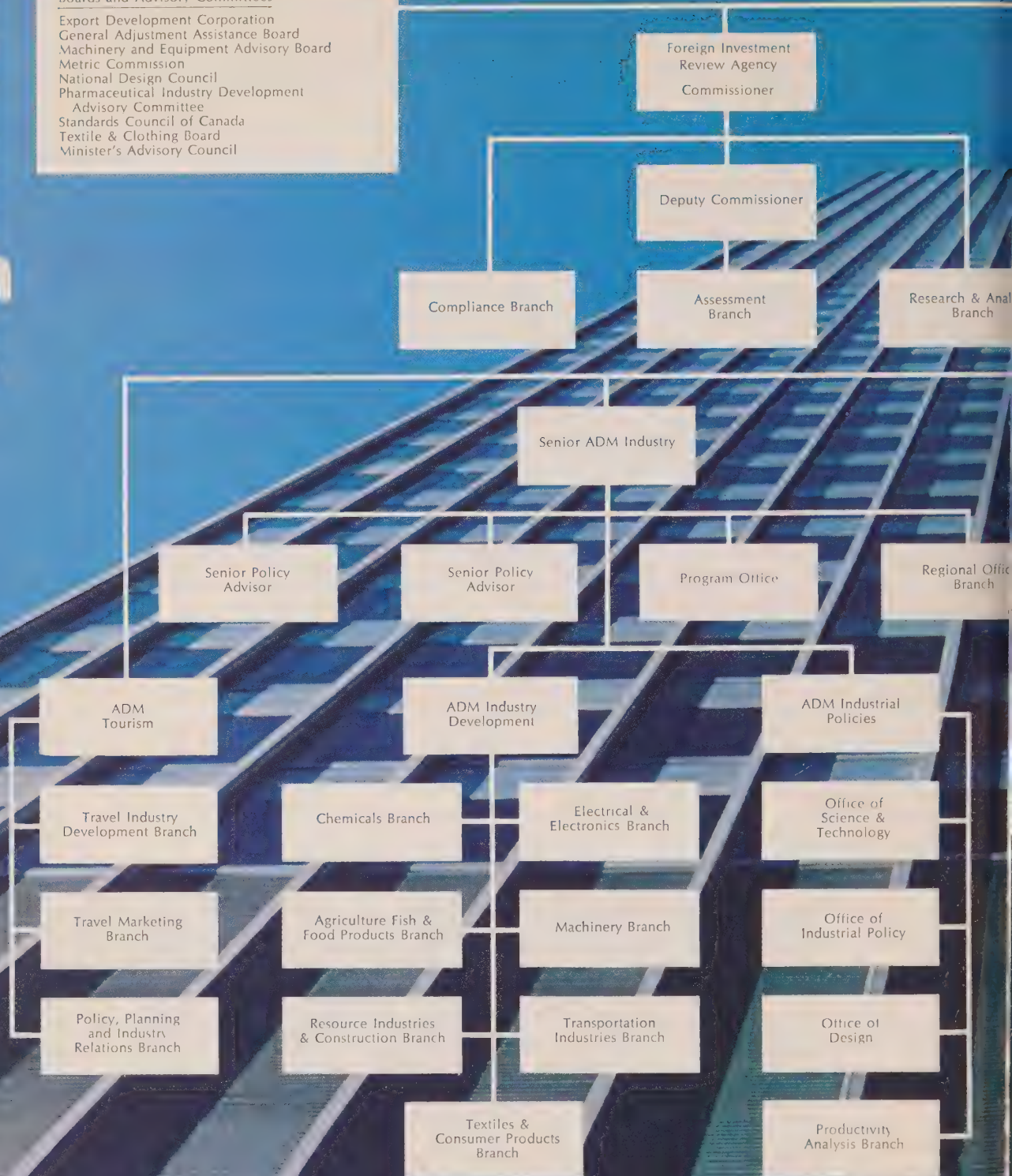


organization

DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE

Boards and Advisory Committees

Export Development Corporation
General Adjustment Assistance Board
Machinery and Equipment Advisory Board
Metric Commission
National Design Council
Pharmaceutical Industry Development
Advisory Committee
Standards Council of Canada
Textile & Clothing Board
Minister's Advisory Council





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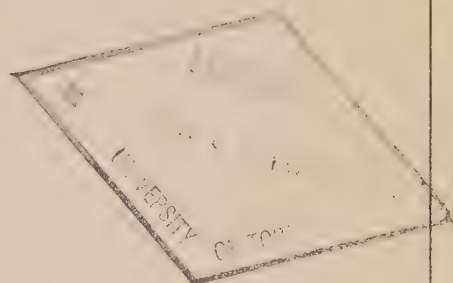


Industry, Trade
and Commerce

Industrie
et Commerce

ANNUAL REPORT

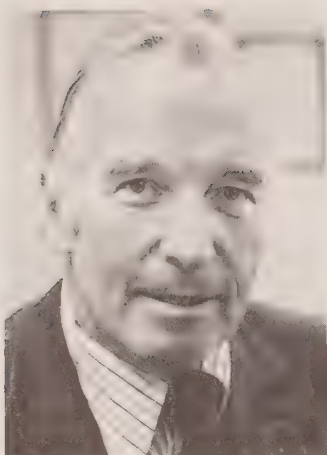
1974-75



Department of Industry, Trade and Commerce

ANNUAL REPORT

1974-75



OTTAWA

The Honourable Don C. Jamieson
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual report of the Department of Industry, Trade and Commerce covering activities during the period April 1, 1974 to March 31, 1975.

Respectfully submitted

A handwritten signature in dark ink, appearing to read "O. G. Stoner". The signature is fluid and cursive, with a large initial "O" and "S".

O. G. Stoner
Deputy Minister

OTTAWA



To His Excellency
The Right Honourable Jules Léger, C.C.,
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency the annual report for the Department of Industry, Trade and Commerce covering the period April 1, 1974 to March 31, 1975.

A summary of the Department's policies, activities and services rendered is laid before Your Excellency.

Respectfully submitted

A handwritten signature in dark ink, appearing to read "Don C. Jamieson". The signature is bold and cursive, with a large initial "D" and "J".

Don C. Jamieson
Minister of Industry,
Trade and Commerce

INTRODUCTION

As a partner with Canadian business and industry in searching the world for new markets, improving relations with traditional markets and endeavouring to help improve productivity, efficiency, quality and research and development at home, the Department of Industry, Trade and commerce faced rapidly changing world economic conditions during the fiscal year 1974/75.

These conditions put new pressures on the facilities of the Department. In adjusting to these new conditions, the Department sought and effected new directions in many of its assistance programs.

To increase export trade promotion, new trade offices were opened and more staff added in other offices. Business and industry were encouraged to take greater advantage of opportunities available to them through the various programs.

Trade mission activity was brisk, with groups coming from many countries and many Canadian groups going abroad for market development. Most significant were the four missions led by the Minister -- to the Middle East, Brazil, Cuba and Venezuela. These gave entrée for Canadian entrepreneurs to their counterparts and key government officials in the countries visited. The meetings with government officials helped improve Canadian access to these markets.

Better access is also being sought through Canada's participation in the Tokyo Round of tariff talks inaugurated in Tokyo at the ministerial level in September. The Canadian Trade and Tariffs Committee has been formed to prepare Canada's approach to the talks. An important part of this approach will be to seek reduction or elimination of tariff and non-tariff barriers to Canadian exports.

Canadian business and industry also benefited from Department programs for product and technological innovation, production efficiency and design. This report does not attempt to describe all projects of the Department during the year. However, it outlines the major activities and touches on tourism and meetings of the Minister's Advisory Council.

PRODUCT INNOVATION

The Department's four major incentive programs for product innovation continued to encourage Canadian companies to develop new products that will help expand domestic and export markets.

1. Defence Industry Productivity Program (DIP) -- offered assistance to facilitate Canadian industrial participation in the development and production of defence equipment and associated components with a high technology content.

2. Industrial Design Assistance Program (IDAP) -- provided financial assistance to improve the competitive position of Canadian industry by achieving improvement in the quality of industrial design of its products.

3. Industrial Research and Development Incentives Act (IRDIA) -- offered tax-free cash grants and credits against federal income tax liabilities to assist in the expanding of scientific research and development in Canada.

4. Program for the Advancement of Industrial Technology (PAIT) -- shared costs, normally 50 per cent, incurred in the development of new or improved products and processes for commercial markets.

Offshore petroleum and oceanographic equipment and supporting service industries grew rapidly. Canadian companies substantially broadened their ocean operating capabilities. Developments included:

*Completion in Vancouver of a new Aquarius-class submersible by the world's leading manufacturer which sold one for North Sea use. The company also completed design for a new larger submersible class, the Taurus.

*A Vancouver petroleum services company tested a manifold centre before installation in 285 feet of water in the Gulf of Mexico.

*A petroleum company developed an Arctic offshore drilling system for exploring petroleum reserves in the Beaufort Sea and other Arctic waters.

*A maritime exploration company was developing a submarine-borne, acoustical exploration system providing shallow and deep seismic information for oil companies, government agencies, drilling and pipe contractors.

*For cleaning oil spills, a pollution control company developed an offshore skimmer for use by government, harbour and other agencies.

A Halifax shipyard received an order to build a \$40 million fully dynamically positioned drillship and a \$70 million semisubmersible drilling rig for a United States contractor. For a Texas company, a Vancouver shipyard was building four supply vessels worth more than \$2.5 million each.

Two Pisces-class submersibles, each costing \$1.5 million and capable of diving to 6,600 feet, were sold to the Soviet Academy of Sciences for oceanographic research. Another was sold to a British firm.

Seventeen Canadian companies participated in the 6th Annual Offshore Technology Conference and Exhibition in Texas and reported on-site, custom-engineered product sales of \$250,000 and a 12-month market potential of \$15 million.

In conjunction with an ocean technology conference, ocean data systems and services were demonstrated to an incoming mission at Halifax.

Under Department sponsorship, nine Canadian firms participated in Oceanology International '75, held every three years, in England.

The new 48-passenger DASH 7 "Quiet STOL Airliner" made its first flight. Twenty-five DASH 7s were to be built. Eleven were on order before the aircraft's first flight.

The Department assisted in the development of an improved Buffalo STOL aircraft capable of carrying greater loads when operating from paved runways. Three customers ordered 15.

With the United States Air Force, the Department continued to fund a development program for an air cushion landing system (ACLS) which could replace conventional wheeled landing gear. Two Canadian companies and one U.S. organization co-operated in designing and manufacturing the ACLS raft-like rubber trunk and gas turbine-powered inflation system.

Continuing the augmentor wing program, preliminary design work was carried out on the DHP-72 jet STOL military transport.

Prototype high voltage circuit breaker modules were successful and a major export order was received from the United States. Because of increased requirements for high voltage and extra high voltage long-distance transmission lines, the new breaker modules show great export promise.

For urban and inter-urban transportation, prototypes of new propulsion motors and controls were produced.

Canadian companies have design and development capability for all urban transit equipment. Department-supported innovative projects include development of linear induction motors and a wheelchair lift device that enables existing buses and transit equipment to accommodate handicapped passengers.

Canadian industry has expertise in the design and manufacture of heavy locomotive, high speed passenger equipment, and sophisticated bulk commodity unit trains. Among the more innovative projects supported by the Department is the LRC (light, rapid, comfortable) passenger train. The LRC completed extensive tests in Canada and at a United States government facility. It will undergo reliability and maintainability assessment on a scheduled service between Toronto and Sarnia.

The Department sponsored studies to define technology of remote manipulator systems. Such systems perform work remote from the human operator in hostile environments encountered in space, nuclear power generation, medicine, oceanography and northern development. A prototype model manipulator system has been supplied to the U.S. National Aeronautics and Space Administration for integration and evaluation with the space shuttle mock-up.

A number of automotive products for improved exhaust emission control, fuel economy and greater safety were developed with the assistance of the PAIT program.

A 200-ton capacity truck for use over logging roads was developed with PAIT assistance. The vehicle has many unique features including an air ride cab that gives an operator the comfort and ride of an automobile.

Large tracked vehicle orders were received from oil industries in the U.S.S.R. and Indonesia. Airport firefighting equipment was sold to India. Newly developed large wheeled vehicles were to be used for drill rigs in Alaska and for exploration in the Amazon jungles.

One of Canada's major manufacturers of municipal fire-fighting vehicles has developed a 100-foot aerial ladder with PAIT assistance. This ladder features substantial innovations in aerial ladder technology. It can be fully elevated in 60 seconds and is considered to have good sales potential in world markets.

The Industrial Research Association Program continued to encourage co-operative research and development activities for industry. It supported the establishment and initial operation of the Canadian Gas Research Institute. Three industrial research associations have been created since the program began in 1973.

The Department supported the Sulphur Development Institute of Canada (SUDIC) in developing new sulphur uses. Major areas included use of sulphur with asphalt in paving, sulphur foam for frost insulation, and sulphur concrete.

The Industrial Research Institute Program encouraged universities to undertake research and development for industry on a contract basis. The program covers cost of establishment and administration during initial years of operation. Of the 10 institutes supported since the program began in 1967, four are now self-supporting.

The Department negotiated with the Federal Republic of Germany for joint development of a second generation CL-89 battlefield surveillance drone with NATO market potential.

The Department gave financial help to a Montreal firm, a world leader in aircraft landing gear and hydraulic flight control systems, which is developing equipment for aircraft projects in Canada, the United States and Europe. Marketing and production equipment support has also been granted.

Research and development funds were provided to develop laser and fibre optic communication systems for telecommunication requirements of the 1980s. Financial support was given to control industry work in simulation techniques for aircraft, air traffic control, and power generation and distribution control. Mineral geophysics, mineral processing systems, cartographic instrumentation and systems, pulp and paper control systems and power generation systems also benefited from Department assistance.

The Centres of Advanced Technology Program assisted Canadian universities and other organizations to establish advanced technology centres in important industrial areas. Two new centres were the Centre for Ocean Technology at the Nova Scotia Research Foundation, and the Centre for Environmental Technology at the University of Sherbrooke.

The Centre for Ocean Engineering in British Columbia received additional assistance for construction of a totally enclosed towing tank and manoeuvring basin. Eight centres have opened since the program began in 1970 and two have become self-supporting. Under the program, the Department pays the cost of equipment, materials and salaries of professional staff during the initial years of operation.

The Department continued its university grants program which is aimed at obtaining information for policy making and enhancing academic interest in technological innovation.

DESIGN

The Department continued to stimulate improved Canadian products through promotion of industrial design collaborating closely with provincial design centres.

At the fourth meeting of federal and provincial representatives in Vancouver, firm program commitments were made by several provinces, and tentative agreements by others. Saskatchewan and Nova Scotia began new product design and development programs to provide small manufacturers with advisory consultation. Both programs will be jointly funded by the federal and provincial governments. The Manitoba Product Design and Development Program, also jointly funded, was initiated as a pilot program early in the year.

Recognizing the influence exerted by the federal government as Canada's largest single purchaser of goods and services, the Office of Design turned its attention to a new federal purchasing program for encouraging improved design. Through this procurement activity, procedures were established enabling the commissioning of well-designed and innovative products for widespread government use. Emphasis was on function, safety, efficiency and reliability, with preference for products reducing energy consumption, conserving materials and inhibiting pollution. Such products are expected to have wide domestic and export sales potential. The program is being funded by the Department and administered jointly with the Department of Supply and Services. The Department allocated \$150,000 for the development of the initial phase of five projects.

The Office of Design granted \$404,980 toward improved product development and the creation of new post-secondary design education facilities.

In co-operation with the National Design Council, Design Canada scholarships encouraged Canadian graduate design students to continue studies in the best international schools. In 1974/75, there were 34 scholarships awarded totalling \$134,725.

To increase public awareness of day-to-day design benefits, the Office of Design developed exhibits for museum, art gallery and library use. Two exhibits were seen by more than one million people in 1974/75.

Awards programs recognized effective design practice in Canadian industry.

The Office of Design also produced case studies highlighting outstanding examples of effective industrial design practice.

PRODUCTION EFFICIENCY

Metric Assistance

Some smaller businesses expressed concern that the cost of metric conversion might impose undue hardships. In response, the Minister announced Cabinet approval for a small business Metric Conversion Assistance Program.

Under this program, loan assistance will be available to cover specific eligible costs of metric conversion when financing cannot be obtained from commercial lending institutions. Farming and fishing enterprises will be included.

Research

Research efforts sought to identify ways of raising industrial efficiency. Levels and growth of Canadian productivity were compared with those of other countries. Evaluations were made of the impact of various service inputs on manufacturing operations.

Practical benefits enjoyed by participating companies contributed to the rising popularity of inter-firm comparisons. The objective has been to help guide senior management of the Canadian manufacturing, processing and service industries in improving productivity and competitiveness.

The Department worked with the Department of the Environment in establishing the Forest Engineering Research Institute. Jointly funded by the federal government and the forest industries, the Institute seeks ways of improving wood harvesting efficiency and of minimizing the cost of wood used in wood product manufacturing.

The acquisition of advanced production machinery and the latest in quality assurance and testing equipment by the automotive parts sector was assisted by the Defence Industry Productivity Program. Manufacturing technology and processes were improved by selective use of PAIT.

The Department continued co-operating with the Air Industries Association of Canada and Statistics Canada in collecting and evaluating aerospace production and marketing data. At the invitation of the Association, these specialized data were used to identify bases for further productivity improvements.

In the continuing program to upgrade Canadian resources before export, an industry committee of nickel producers, high nickel alloy consumers and Department officials formulated guidelines for a feasibility study. The Department and industry explored means to locate a facility for the production of high nickel alloys in Canada.

To encourage rationalization in the domestic industrial particleboard industry, an assessment began on demand patterns and projections by region to 1985.

Studies of biscuit and confectionery industry performances provided Canadian firms with guidelines for judging operational strength.

Education

Through its management development programs, the Department significantly expanded its effort to improve Canadian management capabilities. Assistance totalling \$158,358 was approved. This helped 15 different business and professional associations develop or revise management training courses.

In its Program for Development of University Studies in International Business, the Department encouraged Canadian universities to place greater emphasis on studies and research to enhance Canadian businessmen's capabilities in international business. The program provided for establishing four centres for international business studies, associated with faculties of business administration at graduate level.

The University of Western Ontario was awarded \$300,000 to establish such a centre, an amount similar to that awarded the University of British Columbia the previous year. In close consultation with the host provinces, negotiations were well advanced toward two more centres, one in Quebec, the other in the Atlantic Provinces. Annual student fellowships assisted graduate students concentrating in international business.

New Bank

The Department expanded its encouragement and support for development and growth of small businesses. Parliament passed legislation establishing the Federal Business Development Bank which will report to Parliament through the Minister of Industry, Trade and Commerce. The Bank is to help establish and develop business enterprises in Canada. It will provide financial assistance, management counselling, management training and other related services. Needs of small business enterprises are to receive special consideration.

To do this, the Bank will group several existing programs and explore possible improvements and expansion. It will provide management counselling service by taking over the Counselling Assistance to Small Enterprises (CASE) program, which now has 13 offices across Canada. Expenditures in 1974/75 amounted to \$100,000 compared with \$39,000 in 1973/74 and \$10,200 in 1972/73. In 1974/75, there were 955 assignments undertaken covering 8,450 counselling man-days. The Department has 1,165 counsellors on roster. Under the Federal Business Development Bank, the CASE Program is to be extended to the service industry sector.

One stage in the new Bank's development of management training services for small enterprises will be the take-over of the owner/manager training program of the Department of Manpower and Immigration. It will also sponsor, support, and organize conferences, seminars and other meetings to promote good management practices in small businesses. The Bank will continue the one-day small business seminars that were provided by the Industrial Development Bank across Canada. An information service will help existing or planned businesses. The Bank, sensitive to regional requirements, will receive input from five Regional Advisory Councils.

Analysis

A study using the DELPHI technique was initiated to ascertain and assess technological possibilities for the housing and wood building components industries to the year 1990. Know-how and foresight of qualified experts will provide industry and governments with key information including a guide to establishing investment priorities. Support for a similar study on pulp and paper was provided to the Pulp and Paper Research Institute of Canada.

Incentives

The Department processed 20,000 applications under the Machinery Program (MACH). Assistance totalled \$150 million.

As a result of a Program to Enhance Productivity (PEP) feasibility study, a new nail mill will be built in western Canada. Changes in brick packaging were introduced under a second program, offering promise of industry-wide standardization. A cement company completed a multimillion dollar expansion on the basis of the results of a third PEP project.

Other Developments

The Construction Industry Development Council (CIDC) examined recommendations in the Economic Council of Canada study of construction cyclical instability. CIDC also appointed a steering committee to work on consultant proposals for construction management education. A construction education institute was an objective. CIDC considered the need for construction research in collaboration with the National Research Council.

A National Master Specification Manual is being developed by the Department, guided by the Specification Writers' Association of Canada. This master specification manual will be based on the Canadian Government Master Specification Manual produced by the federal government's four major departments involved in construction. This is expected to result in greater efficiency and productivity for designers and builders.

A non-ferrous metals industry sellers' directory was prepared to provide industry salesmen with a list of potential customers. After publication and distribution, an assessment will be made of its value as a marketing aid.

Pilot statistical systems were initiated in three sectors: investment casting, heat exchanger and die casting. The aim is to transfer the role of administering statistics collection and distribution from the Department to the industry, once development is completed.

The Department supported industry modernization to maintain the defence industry on a competitive base for export. A high proportion of support offered by the Industry Modernization for Defence Export (IMDE) program is to provide advanced machine tools to Canadian aerospace firms so they can stay abreast of these advances and improve their international competitiveness.

Efforts continued to ensure maximum benefits for Canada from the purchase of a long-range patrol aircraft. A substantial number of aerospace-related companies were introduced to the major prime contract contenders.

Departmental task groups assessed the capability of Canadian electrical manufacturers to supply anticipated equipment needs for the Mackenzie River gas pipeline and for Canada's expanding nuclear power capacity.

MINISTER'S ADVISORY COUNCIL

The membership of the Minister's Advisory Council is representative of trade, industrial, business, financial, academic and regional interests. Its purpose is to review departmental policies, programs and services in the light of changing conditions at home and abroad. In 1974/75, key topics considered by the Council included expansion and liberalization of trade, containment of inflation and conversion to the metric system.

INTERNATIONAL ENVIRONMENT

Led by the Minister, the Department carried out a vigorous and sustained negotiating and trade promotion program. Mr. Gillespie headed successful missions to Latin America and the Middle East where oil revenues have created new investment funds. A senior member of the Department travelled with Prime Minister Trudeau in his visits abroad and served as adviser during his trade discussions. Department officials participated in the follow-up of these visits.

Canada and Europe

The Prime Minister and EEC Commission President Ortoli agreed that Canadian and Commission officials should explore together how best to negotiate a framework for relations between Canada and the Community. The first round of talks to this end was held in Ottawa in February. It was envisaged that an agreement on a most-favoured-nation basis would eventually result. A main feature would be a broadly based article on industrial co-operation providing a framework for the encouragement of a two-way flow of investment, intercorporate links including joint ventures, science and technology exchanges, and expansion and diversification of trade. A sector-by-sector approach to industrial co-operation would identify areas for mutually beneficial co-operation between Canadian and European industries.

Parallel with industrial co-operation discussions with the European Community Commission, similar initiatives were commenced with several EEC member states as a follow-up on Prime Minister Trudeau's discussions with heads of government in these countries. For example, Canada and France established two working parties studying co-operation in industry and energy. The Department was responsible for the working party on industry, the first meeting of which was held in February 1975. Some sectors for co-operation have already been identified.

Industrial co-operation will not be confined to EEC countries. Discussions were begun with Sweden as a result of the Swedish Prime Minister's visit to Canada in October 1974. Further talks with Norway and Finland are planned.

Canada also held bilateral trade consultations during the year with the U.S.S.R., Romania, Hungary and Bulgaria. Information was obtained about future import requirements of these countries and, in turn, information was provided to them about Canadian export capabilities and credit facilities. Businessmen's seminars were held with Soviet and Romanian delegations in conjunction with official trade talks.

The major thrust of Canada's marketing policy for Eastern Europe is to increase the percentage of capital equipment and machinery in exports to the region. There was accelerated activity toward this objective both by the Department and private industry in 1974/75. Some successes were achieved and opportunities look promising for 1975/76 especially for equipment for the pulp and paper, forestry, transportation, mining and agriculture industries.

The Department continued its involvement on a selective basis in the activities of the Economic Commission for Europe (ECE) which Canada joined in 1973. The ECE is a regional organization of the United Nations Economic and Social Council.

The Enlargement of the European Community

When Britain, Ireland and Denmark entered the EEC, the Community was obliged to undertake negotiations with Canada under Article XXIV:6 of the General Agreement on Tariffs and Trade (GATT). This was to provide Canada with compensation for the loss or impairment of certain of Canada's GATT rights to previously negotiated tariff rates. After two years of negotiations, a package of trade concessions was agreed upon covering some 30 products. For Canada, the main items of interest were wood pulp, newsprint, kraft papers, coniferous plywood and canned and frozen salmon. A special bilateral arrangement permitting the resumption of exports of Canadian aged cheddar cheese was also negotiated. With respect to wheat and barley, it was agreed that both sides would continue discussions with a view to finding, through international negotiations, agreed solutions to problems of international trade in cereals. It is expected that the question of liberalizing trade in these products will be pursued in the context of multilateral trade negotiations in Geneva. In the meantime, Canada's GATT rights on these products will be preserved intact, to be used, if necessary, at a later date.

Minister's Visit to London

Mr. Gillespie met with four British Ministers in London, April 10-11, 1974. He discussed prospects for the Multilateral Trade Negotiations, reviewed the progress of trade between Canada and Britain and outlined to British Ministers the advantages of co-operation between Britain and Canada.

Following this visit, the British Government adopted its own Steam Generating Heavy Water Reactor (SGHWR) nuclear system which is similar to Canada's CANDU heavy water pressure tube system. This was in preference to the United States' Light Water Reactor (LWR). As a result of special efforts by Canadian authorities to lay a basis for nuclear co-operation with Britain, the British will use some aspects of CANDU technology in developing their SGHWR system.

In the diversified British market, Canadian promotional activities are concentrated in a number of promising sectors. For example, sustained promotional efforts in recent years have resulted in sales of more than \$100 million in equipment and services for North Sea oil and gas exploration and development. Sales have included drilling rigs, submersibles, supply vessels, smaller pieces of equipment and services.

United States Trade

Trade with the United States expanded by 26 per cent in 1974 and accounted for approximately two-thirds of Canada's total world trade. This expansion was achieved in the face of contracting U.S. markets and recession conditions prevailing for much of the year. The international economic situation contributed to a growing concern in the United States over security of raw material supply and with certain economic policy initiatives in Canada. These issues, coupled with mutual interest in improving access to foreign markets, influenced many discussions and negotiations.

Canada-United States talks were held on several topics including cross border agricultural trade, energy-related issues, and the Multilateral Trade Negotiations. Preliminary negotiations were begun toward a Canada-United States pipeline treaty. Representations were made to the United States on several issues including the effects on Canadian trade with Cuba caused by the United States Cuban Assets Control Regulations.

Energy policies and cross border agricultural trade continued to be major Canada-United States trade issues. Faced with declining reserves of available crude oil, Canada decided to phase out crude oil exports to the United States. Discussions were held with United States officials on means of minimizing the impact of this measure on those regions of the United States totally dependent on Canadian supplies. Canada's policy on natural gas prices also led to certain difficulties in the Canadian relationship with the United States.

Restrictions on cross border meat and livestock trade were imposed jointly by Canada and the United States as officials sought a solution to the problem. In fact, both Canada and the United States have since removed quotas on live stock. United States short supply controls on exports of ferrous scrap ended in December 1974 and normal trade patterns resumed. Although Canada was in a scrap deficit position, Departmental action during the period of United States scrap control ensured that no Canadian scrap customer was forced to curtail production.

The Department was active in resolving access problems in customs and tariffs. It also dealt with regulatory changes and documentation problems resulting from continued United States emphasis on consumer protection and safety.

Pacific, Asia and Africa

Japan is now Canada's second largest trading partner. As such, efforts were made to maintain and expand trade between the two countries. This was highlighted in September 1974, during Prime Minister Tanaka's visit to Canada when he and Prime Minister Trudeau agreed on the need to develop intensively Canada-Japan trade and economic relations along more mutually beneficial lines. This will involve increased exchanges and consultations between Canada and Japan.

In November 1974, 20 senior representatives from federal departments and provincial governments attended a two-day seminar on the Canadian industrial investment climate at the Keidanren Hall in Tokyo. The seminar was sponsored by the Japanese Industrial Location Centre with the support of the Federation of Economic Organizations (Keidanren), the Japanese Chamber of Commerce and Industry and the Japanese External Trade Organization. The seminar, jointly chaired by a senior officer of the Department and a Keidanren official, was designed to provide potential Japanese investors with a better appreciation of the Canadian environment in terms of industrial policies, development potentials and investment climate. The seminar marked the first occasion that federal and provincial governments jointly presented to a Japanese audience an overview of their industrial development policies, including the emerging framework for mutually beneficial investments.

Promotional efforts were carried out under the five-year Co-operative Overseas Market Development Program (COMDP), jointly funded by the Department and the British Columbia government and forest industry. These efforts resulted in Japanese acceptance of platform-frame residential construction and Canadian lumber sizes and grades. Japanese acceptance of Canadian softwood plywood grades was expected to follow, opening greater Canadian export opportunities.

In April 1974, the Department mounted an electronic and scientific instrumentation exhibition in Shanghai, People's Republic of China. This was manned by senior Departmental personnel and by executives from Canadian firms showing equipment.

In February 1975, the second annual meeting of the Canada-China Joint Trade Committee was held in Ottawa. The discussions covered the present state of Canada-China trade and trade relations. Information about the import needs and export capabilities of both countries was exchanged. A program of trade missions between the two countries was agreed upon.

Mr. Gillespie led a Ministerial Businessmen's Mission to Iran, Iraq and Saudi Arabia in April 1974. Initial discussions were held on establishing a forum to increase trade between Canada and these countries. In December 1974, Prime Minister Hoveyda of Iran visited Canada. During his visit, he agreed with Mr. Trudeau and Mr. Gillespie on the establishment of a Joint Economic Commission to identify specific projects of mutual interest. The first meeting of the Commission was at the Ministerial level and met early in 1975.

The Canada/Tunisia Mixed Commission met in Tunisia in November 1974, to discuss bilateral relations including trade. One of the highlights was a decision to send a Canadian Businessmen's Mission to Tunisia.

Trade with North Africa and the Middle East expanded by more than 100 per cent in 1974 (from \$155.8 million to \$364.2 million). Although Canadian exports remained primarily raw materials, an increasing number of manufactured products was included. This trend is expected to continue.

On September 20, 1974, Mr. Gillespie met with the Honourable J. A. Walding, New Zealand's Minister of Overseas Trade. The two Ministers exchanged views on a number of subjects of common interest. These included Canada/New Zealand trade and trade relations, the New Zealand import regime, the current round of multilateral trade negotiations, commodity trade and foreign investment policies.

The first trade agreement between Canada and Afghanistan was signed on November 27, 1974. The agreement exchanges most-favoured-nation tariff treatment between the two countries. The agreement makes Afghanistan exports to Canada eligible for General Scheme of Preference tariff treatment.

Miscellaneous Activities

Canada participated in a United Nations Conference on a Code of Conduct for Liner Conferences, concluding with the adoption of a Convention. The Department took primary responsibility for preparing and presenting the Canadian position. The final conference text was unsatisfactory to Canada, especially in its approach to competition and procedures for resolving disputes. Canada was also dissatisfied with the emphasis attached to shipowners' interests relative to shippers' interest. The Convention has not yet entered into force.

The Department provided leadership for the Canadian delegation to the sixth session of the UNCTAD Committee on Shipping in Geneva. The Committee adopted resolutions on the harmonization of shipping policies and measures to encourage the participation of developing countries in ocean shipping. Rising costs of maritime transportation were studied.

At the second session of the Intergovernmental Preparatory Group in Geneva, little progress was made toward a convention on international multimodal transport. The Department is co-operating in relevant interdepartmental studies.

The Department participated in the fourth session of the UNCTAD Working Group on International Shipping Legislation in Geneva. Charter parties -- the form of contract between a vessel owner and a charterer for the hire of a vessel -- were studied to determine need for harmonizing standard clauses and drafting mandatory rules.

The Department's interest in simplifying documentation and facilitation of trade procedures was expressed through participation in COSTPRO, a Canadian association of government departments and industry associations. The Department also worked with the Standards Council of Canada and the Canadian Standards Association in developing standards for containers, pallets and packaging.

Wide-ranging discussions relating to long-term wood fibre supply arrangements were undertaken with a mission to Canada of forest industries representatives sponsored by the Commission for the European Communities. The mission, the first of its kind from Europe, was escorted across the country to meet provincial and industry officials.

Under the auspices of the Economic Commission for Europe Timber Committee, the Department worked with Canadian industry and European countries to standardize softwood grading. This would greatly facilitate lumber trade with Europe.

The Department, at the Organization for Economic Co-operation and Development (OECD), initiated a study of investment patterns in the steel industries of member countries.

Effort was directed to forming consortia in the telecommunications equipment industry. This was to strengthen Canadian bids on large-scale turnkey projects especially in lesser-developed countries.

On January 1 1975, Canada became a member of the Textiles Surveillance Body established under the General Agreement on Tariffs and Trade (GATT) Arrangement Regarding International Trade in Textiles. This Body determines if restrictions against disruptive textile imports are justified under provisions of the Arrangements.

International Financing

Royal Assent was given for substantial increases in the legislative ceilings under which the Export Development Corporation (EDC) provides assistance to Canadian exporters. The Corporation, reporting to Parliament through the Minister, is currently empowered to undertake direct and contingent liabilities totalling \$6,850 million.

Results of the Department's export promotion became even more evident in the rapid demand growth for EDC assistance in the form of export credits insurance, guarantee, foreign investment insurance and direct long-term financing.

The Department collaborated with the Canadian International Development Agency (CIDA) in a fundamental review of government aid policies. This review resulted in a Strategy for International Department Capital 1975-80 which is aimed at maximizing the developmental impact to developing countries of Canada's assistance programs.

Additional help and guidance were given to the business community to permit it to take advantage of internationally financed export opportunities in developing countries. A seminar acquainted exporters with bilateral and multilateral financing agencies, their procedures and sales opportunities. More than 40 representations were made to provincial governments, trade associations and companies during the year. A computerized data bank reporting system was developed to provide exporters with advance notice of opportunities in multilaterally financed projects. An international document reference service was established to provide detailed project information on all signed multilateral loans. Facilities were increased to give individual exporters expert advice in bilateral, commercial, and multilateral financing. The expertise was also to help in arranging financing and making financial proposals for specific sales opportunities.

Trading House Liaison Office

A Trading House Liaison Office has been established within the Office of International Special Projects in order to provide a focal point for the support of export middlemen. The thrust of this initiative is to increase exports - particularly those of small to medium-sized manufacturers - through the efforts of private Canadian trading houses.

Commodity Trade

Canada agreed to an extension to June 30, 1976, for the 1971 International Wheat Agreement (IWA). The IWA contains a Food Aid Convention whereby member countries are committed to donate more than four million tons of food grains annually to developing countries. Canada's share is 495,000 tons. However, at the World Food Conference in November 1974, the government pledged one million tons of grain for food aid each year for the next three years because of the urgent need.

At the United Nations and elsewhere, Canada has been involved in international examination of the economic and technical issues associated with UNCTAD proposals for an integrated approach to commodity trade.

General Trade

With the signing of the United States "Trade Act of 1974", the Tokyo round of multilateral trade negotiations entered its substantive phase in January 1975. Canada's objective in these negotiations included seeking to:

- * reduce or eliminate trade restricting or distorting effects of non-tariff measures;
- * bring such measures under more effective international scrutiny and discipline;
- * reduce substantially tariffs on both industrial and agricultural products;
- * improve the terms of access for Canada's agricultural exports;
- * carry out in specific sectors, a comprehensive attack on all barriers especially those impeding resources processing and upgrading in country of origin and
- * improve opportunities for developing countries to increase their export earnings.

DOMESTIC ENVIRONMENT

As part of the Department's program for International Women's Year, 10 post graduate scholarships in business administration were approved for Canadian women after a national competition.

In March 1974, the Minister chaired the Federal/Provincial Conference of Ministers of Trade and Industry. The Conference considered a new national industrial development policy thrust designed to provide a systematic, co-ordinated approach to problems of industrial growth and development. The Conference reached agreement on a set of national goals, the adoption of a selective approach to the formulation and implementation of industrial policies tailored to the requirements of particular sectors of industry and on mechanisms of close consultation between the federal and provincial governments.

Meeting the energy crisis, the Department participated in the Interdepartmental Task Force on Energy Research and Development. This Force makes recommendations for ensuring Canada has enough energy to meet all needs at competitive prices and for enabling industry to meet new opportunities.

A Departmental task force on energy was established to analyze the rapidly changing energy situation and provide advice on energy issues. The task force provides an important liaison between other Departments and the various sectors of Industry, Trade and Commerce.

Electrical and electronics shipments in 1974 increased to \$4.9 billion, imports rose to \$2.75 billion, and exports totalled \$923 million -- representing growth from 1973 of 24.5 per cent, 23.5 per cent and 15.8 per cent respectively. The apparent domestic market exceeded \$6.7 billion, with a trade imbalance of \$1.8 billion or 27.1 per cent.

Industry production is split among three sectors: electrical (37.6 per cent), electronics (37.0 per cent), and consumer products (25.4 per cent). The electronics sector accounted for 55.6 per cent of the industry's imports and supplied 68.8 per cent of exports. Employment reached 154,274, an increase of 9,851 over 1973.

As a result of uncertainty in domestic activity, the geophysical instrumentation manufacturers and associated data processing companies have, with governmental assistance, obtained an increasing share of their business from the international market.

The previous year's consumer product shortage was followed in 1974/75 by a significant decline in the television, refrigeration, cooking and laundry products market. Sales of home freezers grew because of food price increases.

The Department continued efforts to assist industries offering technical services. It helped prepare an in-depth study of consulting engineering. Department-sponsored seminars were held across Canada to encourage communication between consulting engineers and federal departments and to enhance their ability to obtain export business. With the support of the Department, Canadian consultants were successful in obtaining contracts for projects abroad valued in the hundreds of millions of dollars and earned fees in excess of \$100,000,000. The Department initiated a program to maximize Canadian industrial input in projects won by Canadian consultants. The Interchange Canada Program was promoted by the Department as a means of transferring technology know-how between government and the private sector.

With the decline in housing starts, the wood products industry experienced a significant slowdown. Related industries found themselves with high inventories and fewer new orders.

The Forest Industries Development Committee (FIDC) was established in 1974 in response to findings in a government review of the pulp and paper industry. FIDC, with representation from each province and seven federal departments, is a consultative body for harmonizing federal and provincial forest industry policies.

Designed with Departmental assistance, a Council of Forest Industries of British Columbia plywood quality control program was set up and ran successfully for the year. This program is to be a basis for efforts to expand sales in western Europe of Canadian Douglas fir and western softwood construction plywood.

Canadian newsprint and pulp accounted for the largest share of the industry's one million ton increase in production. Shipments in 1974 amounted to 21.9 million short tons of which 77 per cent were exported. The \$5 billion value is approximately 5.4 per cent more than the previous year's record high. Estimated capital expenditures for water pollution abatement were \$55 million. A total of \$23 million was spent in minimizing air pollution.

Work was completed on two major forest industry studies: "Canada's Reserve Timber Supply" and "Taxation Practices Related to the Pulp and Paper Industry."

The tight iron and steel supply situation resulted in intensified consultations between the steel industry and the Department. A number of problems including a serious potential shortage of pig iron and ferrous scrap for domestic industries were resolved.

Aluminum, copper, lead, zinc, nickel and ferroalloys were in increasingly tight supply during the first part of 1974. The economic downturn brought a drop in demand in the latter part of the year and a surplus developed. Metal prices fluctuated during the year in response to the rapidly changing supply-demand situation. Copper reached a peak price of \$1.50/lb in mid-year on international markets and declined to the mid 50-cent/lb range by the end of the fiscal year. Tight supply resulted in ongoing consultations involving the Department, producers and consumers.

Based on a department-financed study, a proposal was made to the cement and concrete industry to establish a Canadian Concrete Institute to carry out scientific and market research, encourage the development of skilled trades personnel, and improve communications within the industry.

The Canadian supply-demand situation in chemicals changed rapidly from the acute shortages of 1973/74 to an apparent surplus of most products. Reduction in domestic demand, coupled with inventory adjustment, led to below capacity operation. There was increased substitution by lower-priced imports from production surpluses in other industrialized countries. This increased the trade deficit in chemicals.

In the short-to-medium term, continued delay in establishing significant additions to Canada's chemical production capacity will cause a supply tightening. As the present downturn eases, demand will strengthen. This is most pronounced in petrochemicals where a major expansion is underway but will not be on stream until 1978.

With participation by provincial governments and industry, the Department initiated a comprehensive study of the plastics processing industry to provide information on which to base growth policy and program.

The Department also began a study of the Canadian fertilizer industry to assess implications of potential raw material shortages, increasing world demand and international competition.

Textile and Clothing Board

At the beginning of the year 1974/75, the Canadian textile and clothing industries were experiencing high levels of activity. However, these industries were adversely affected by a sharp turnaround in international textile markets in mid-1974 which resulted in increased competition from low-cost sources and distress merchandise. Action taken under the National Textile Policy on the recommendation of the Textile and Clothing Board mitigated to some extent the problems experienced by these industries. During the year, the Board completed inquiries on cotton yarns, men's and boys' shirts, acrylic yarns, and nylon and filament rayon fabrics. The Board also reviewed the situation on double-knit and warp-knit fabrics, broadwoven polyester filament fabrics and terry towels and towelling. New inquiries undertaken by the Board and completed during the year included sheets and pillowcases, broad woven man-made fibre fabrics, double-knit and warp-knit fabrics, worsted fabrics, polyester/filament yarns. At the end of the year, an inquiry was underway on men's and boys' suits, jackets, co-ordinates and pants.

Metric Commission

Co-operating with the Metric Commission, the Interdepartmental Committee for Metric Conversion developed metric conversion policies and overall planning within the federal government. The Committee facilitates and co-ordinates timely conversions of measurement sensitive clauses in federal legislation. It identifies all measurement references in federal legislation and arranges metric conversion priorities of those standards.

In the House of Commons, Mr. Gillespie, to whom the Metric Commission reports, introduced the resolution on the guideline date program for metric conversion.

The four-phase national program developed by the Metric Commission involves investigation, planning, scheduling, and implementation. In his speech introducing the resolution, Mr. Gillespie said the program's investigative phase was virtually completed in 1974. Committee activities then were concentrated on the second, or planning, phase. By the end of 1980, metric measures are expected to be used by Canadians for all normal commercial and legal purposes.

Conversion to metric became a daily reality with the introduction of temperature readings in degrees Celsius.

More than 1,000 volunteers in some 60 committees representative of business, industry, education, government and all other facets of Canadian life are working to implement SI (International System of Units) as Canada's official metric measurement system. In all of this, the Metric Commission plays the co-ordination role, helping to minimize costs and maximize conversion benefits.

Primary responsibility for training the 10 million workers in the labour force rests with employers. The job of training those preparing to enter the work force rests with provincial departments of education. A task force is preparing a cost-benefit study of metric conversion in the post-secondary occupational and university sectors.

Increasing interest in conversion was reflected in the monthly volume of inquiries handled by the Metric Commission. This rose from 650 in April 1974, to 15,000 in March 1975. Besides distributing posters, booklets, slides and films, the Commission published six editions of "Metric Monitor", a monthly newspaper with a circulation of 200,000.

MARKET DEVELOPMENTOffice of Export Programs and Services

The Department now operates two programs to promote exports and develop new markets: the Promotional Projects Program (PPP) through which the Department plans and implements trade fairs, missions and incoming visitors projects; and the Program for Export Market Development (PEMD) which supports projects initiated by industry. In September 1974, the Office of Export Programs and Services was established by amalgamating the former Fairs and Missions Branch with the Program Office of PEMD to ensure more effective integration of the two programs and to improve export services to industry.

Under PEMD, the Department contributes to a company's costs in developing export business -- costs that might otherwise discourage such an attempt. The program has several sections each designed to deal more effectively with a particular marketing problem, in terms of regions, products or services, and techniques. These sections include bids on capital projects abroad, market surveys, participation in foreign trade fairs, incoming foreign buyers and the formation of export consortia.

As an example, of PEMD aid, the Department assisted in establishing an Eastern Cedar Shingle Export Consortium representing more than 90 per cent of the industry. The major promotion will be of cedar shingles for decorative interior wall covering and roofs. PEMD also supported an industry commissioned market study to evaluate the potential of eastern Canadian short and narrow lumber in EEC countries.

During 1974, significant changes were made to PEMD to further facilitate industry use of the program. These included simplification of the costing formula used to calculate the assistance and additions to the eligibility of two sections of the program. The increasing popularity of PEMD resulted in 20 per cent more applications in 1974 against which more than \$2 million in support was given to industry. From April 1, 1974, to March 31, 1975, export sales valued at \$53.7 million have been reported to the Department. Since PEMD's inception in 1971, 290 companies have reported sales of \$264.7 million as a result of PEMD assistance.

In 1974/75, a record number of projects was completed under the Promotional Projects Program: 471 companies were assisted in 42 international trade fairs; trade literature was distributed through information booths at nine other exhibitions abroad and Canadian products were sold at in-store promotions in Japan and the United States.

Ministerial missions to the Middle East, Brazil, Cuba and Venezuela were carried out; seven commodity-oriented outgoing missions took 110 Canadian businessmen to 16 countries; 20 incoming missions brought 170 foreign businessmen to Canada; and a further 954 foreign buyers visited Canadian suppliers. The total investment in this activity was \$3.3 million. More than \$400 million in sales have been reported.

As examples, the mission led by the Minister to Mexico in January 1974, resulted in the signing of Export Development Corporation financing agreements totalling \$18 million including \$8 million for steel mill equipment, \$4 million for gas turbines, \$5 million for railway locomotives and \$500,000 for sawmill equipment. A \$34 million order for milk powder has also been signed bringing the total business resulting from the mission to \$69.5 million.

The Minister's mission to the Middle East resulted in contracts for approximately \$5.4 million of air-conditioning and electrical equipment alone.

During the trade development mission to Brazil in October 1974, a short-term export potential of \$300 million was identified.

The missions to Cuba and Venezuela revealed that Canada could have a billion dollar market opportunity in Latin America over a five-year period.

In specific commodity areas, a group of Bulgarian agriculture officials was received by the Department and resulted in a contract being signed for approximately \$1.9 million for 120 tobacco harvesting machines. A delegation from Iran was present in Canada in December to sign an agreement for \$85 million of consulting services and equipment for a major forestry project. The Department sponsored an inaugural showing featuring ladies' leather wear in Montreal in April 1974. This Leather/Canada Show was one of the Department's more successful promotions as evidenced by \$3.25 million in sales.

Trade Commissioner Service

The Trade Commissioner Service deployed 240 Foreign Service Officers and 170 locally engaged Commercial Officers in a network of 86 offices in 61 countries. New commercial divisions were established in the Canadian Embassies in Finland and Saudi Arabia.

During the year, Trade Commissioner Posts were active in responding to more than 36,000 requests from Canadian businessmen for export marketing assistance and directed more than 45,000 inquiries from foreign buyers to Canadian industry. Posts assisted in establishing 2,183 new foreign agencies and provided some 3,400 new buying connections to Canadian firms. An increasingly active part was played in trade relations activities. In addition to reporting on local legislation affecting Canadian exports, Trade Commissioners worked closely with other departmental officials to identify impediments to Canadian trade and market access problems. Posts also collaborated with other branches and DREE to identify and encourage direct investment of significant benefit to Canada. In 1974/75, Trade Commissioners played a role in some 227 projects involving a potential investment in Canada of \$185 million.

In foreign markets where access for Canada's exports was difficult, Trade Commissioners directed more resources to Canadian investment and joint ventures. Posts assisted in 117 such projects involving some \$620 million of potential investment.

Regional Offices Branch

Work intensified in industrial and trade development and federal/provincial relations. The Branch also assumed responsibility for initial decentralization of the Program for the Advancement of Industrial Technology (PAIT). In preparation extensive training was given at all delegated Offices. Commitments of \$1,071,364 for 15 projects have been made through Regional Offices since November 1, 1974.

A new Regional Office was opened in Quebec City and the Departmental presence was reinforced in St. John's, Newfoundland. Regional Offices continued to promote export trade by increased regional commerce seminars, co-ordinating numerous missions and by increasing their information service to industry.

Publications

Canada Courier, the Department's 200,000-circulation tabloid newspaper that is distributed to foreign buyers, received a record number of inquiries about the Canadian goods and services it described: 17,978 compared with 12,729 the previous year. The growth in the inquiry rate has been phenomenal: only 579 inquiries were received in 1967. One issue alone in 1974/75 generated sales totalling \$4 million. Twenty-five issues were published in six editions, varying according to market area served: International, United States, French, Spanish, German, Japanese.

Canada Commerce, the Department's 25,000-circulation monthly magazine for contemporary Canadian business people, in its 71st year of publication, was given a more attractive layout, typeface and cover. The English and French-language publication aims especially at the small to medium-sized business. A survey revealed a majority of readers found it useful and informative.

Department-published brochures outlined the value of Canadian production. Capabilities of Canadian engineering consultants were promoted by a brochure, a lead article in Canada Courier, and by other publications.

Specific Activities

To sell more in the North Sea market, 127 Canadian companies participated in the Offshore North Sea Conference in Norway. Projected sales are estimated to range from \$2.7 million to \$27 million over the year. A mini-mission also went to Bergen, Trondheim and Oslo, visiting a variety of shipyards and offshore-related industries.

In the diversified British market, Canada has been concentrating on manufactured goods and high technology categories, including the oil and gas industry. Exports of apparel and apparel accessories to Britain totalled \$6.8 million in 1974. The Department sponsored industry participation by nine firms in the International Men's and Boys' Wear Exhibition and by 10 firms in each of the two Junior Fashion Fair shows.

In its British promotion, Canada also concentrated on equipment for packaging and labelling, garages and service stations, commercial food preparation and vending.

The Department was host to a major incoming Japanese Short Take Off/Landing (STOL) mission. Before leaving, mission members purchased an additional STOL aircraft. A South American airports mission was also briefed and given STOL flights.

The Department co-operated with the Departments of External Affairs and Transport in organizing a Commonwealth Air Transport Committee meeting in Canada. It arranged for Canadian aerospace industry participation in the technical sessions and for delegates to be fully exposed to Canadian STOL developments. PEMD supported several Canadian aerospace firms participating at Britain's Farnborough Air Show. PEMD also supported a tour by the firefighting CL-215 Water Bomber to the Philippines, Hong Kong, Thailand and Turkey. This followed a month-long visit of the CL-215 to Japan to demonstrate its firefighting capability in urban disaster situations.

The Department helped in the exporting of hydroelectric equipment. Hydraulic turbines and generators were delivered to Ecuador and Venezuela.

Several incoming buying missions were supported, including French original-equipment manufacturers seeking electronics components. Long-term export prospects were promising.

In promoting the timber frame residential construction in the European Economic Community market, Belgian, Dutch and French missions were invited to Canada. The Department participated in the Salon de Batiment in Brussels.

The Canada/Japan Housing Committee was formed to exchange housing technology and the first meeting was held in Tokyo. Three demonstration houses built in Tokyo were inspected by thousands of Japanese builders, government officials and consumers. With Department assistance, an export consortium was formed to market and sell housing component packages in Japanese and other Pacific Rim markets.

To encourage exports, the Department studied the northern United States market for manufactured buildings and components. Market areas have been defined and survey planning was underway for the mid-West and New England regions. The Department again participated with a national exhibit at the International Building Exhibition in Chicago in December. In spite of the downturn in construction in the United States in 1974/75, the nine Canadian exhibitors anticipated orders in excess of \$1 million. The Department sponsored a Canadian trade mission to identify markets for Canadian lumber and treated wood products in North Africa, the Middle East and Greece.

Under Department sponsorship, French, German, Japanese, Korean and Swedish business and government officials visited Canadian coal operations with a view to the supply of coal for new steel industries. Domestically, the Department worked with the Department of Regional Economic Expansion (DREE), provincial governments and industry on the further processing of raw materials. This resulted in the establishment, modernization or expansion of several plants producing ceramic tile, concrete, brick, glass, asbestos and steel products.

The Department initiated further promotion of opportunities for the construction industry by sponsoring a mission to Peru and Panama. This mission and a fact-finding trip undertaken by Department staff to the Middle East identified a significant market potential for contractors. An immediate requirement for prefabricated schools in Saudi Arabia was noted and an order for \$4.5 million of Canadian products anticipated.

Responding to demands from industry institutions, a revised edition of the Manual and Directory of the Brass and Bronze Foundries and Ingot Makers in Canada was produced in co-operation with the Canadian Copper and Brass Development Association.

Sponsored by the Department, 17 firms participated in a solo trade fair in Cuba promoting Canadian medical equipment and services which resulted in the development of new business which should increase substantially in the future. Many top government officials and buyers from abroad visited Canada under Departmental auspices. They were thoroughly briefed about Canadian capability in planning, designing, construction, equipping, training and managing in hotels, airports, industrial plants, tourism, health and education.

Foreign market knowledge was acquired in tourism, education, urbanization, agricultural production, health, transportation and other important development fields and was brought to the attention of appropriate commercial firms.

For the first time, a mission of consulting engineers visited China to acquaint the Chinese with Canadian capability and the role Canadian consultants could play in assisting to develop Chinese projects. Canadian consultants were prominent in the Minister's overseas missions during 1974.

The Department progressed significantly in developing assistance programs for Canadian industry to compete better for offshore capital projects. A risk insurance program was introduced to cover losses resulting from unforeseen or unknown contingencies in foreign work. Studies continued on bidding for large industrial projects. Engineering consultants and construction firms were encouraged to team with manufacturers in pursuing capital projects internationally.

Successes were achieved in obtaining capital project work in such diverse areas as the agriculture, health, commercial, education, resource and industrial sectors. New initiatives were taken in civil aviation. These were to help Canadian firms and consortia improve export performance and achieve sales of airport equipment packages and turnkey projects.

New product marketing and development assistance helped the snowmobile industry to diversify. This industry has a comparatively long development production cycle and many products such as motorcycles are highly competitive. Efforts will be continued.

The pleasure boat industry includes approximately 250 companies employing 3,200 people. Export sales increased to \$23 million, largely because of PEMD assistance. For the first time, the Department arranged for a Canadian company to exhibit at the Duesseldorf International Boat Show. The company set up enthusiastic dealerships. The Department now plans participation in two major United States boat shows.

Considerable effort was devoted to helping government-to-government export selling of telecommunications and scientific equipment. These industries, as well as geophysical and avionics equipment manufacturers, participated in a special Canadian electronics fair in Shanghai. A two-week microwave system planning seminar was presented in Abidjan, Ivory Coast, to engineering representatives from 35 African countries.

Promotion of Canadian expertise in cable television systems has begun in developed countries.

Three major appliance manufacturers co-operated with the Department in efforts to sell a specially designed cooker in Britain. The Department prepared protests against the Australian imposition of import quotas on appliances and liaison has been established with Britain to provide Canadian companies with information on new safety standards applicable to the EEC.

A growing market for computer systems and services exists in the economic and social modernization of Middle East and Latin American countries. The Department is identifying Canadian opportunities and some notable successes have been achieved. A Canadian-invented Arabic language processor simplifies machine printing of these languages.

Assistance was provided to 16 Canadian electronic component manufacturers for European promotion at the Electronica '74 fair in Munich. On-the-spot sales totalled \$555,000, with good prospects for expansion to \$8 million within a year.

To assist the automotive parts industry in its efforts to increase export sales, particularly to Japan and Europe, exhibitors were sponsored at the Automechanika Show in the Federal Republic of Germany and an auto service show in Tokyo. With continued use of PEMD a number of companies were assisted in their efforts to promote exports.

The first sale of Canadian-produced, original-equipment manufactured parts was made to Japan and increased sales to vehicle makers in Western Europe were also achieved.

To increase export sales of aftermarket parts and accessories, the Department sponsored an exhibit at the Automotive Industries Association Show. Increasing focus on the United States aftermarket was demonstrated by Canada's first participation in the Automotive Parts and Accessories Show in Chicago.

The Department promoted Canadian processed food products in five in-store and two restaurant demonstrations in Japan. On-site sales of Canadian fish, meat, cookies, candy and other processed foods totalled \$1 million, with substantial follow-up sales.

Department food promotion activity in the United States included solo shows in Pittsburgh, Minneapolis-St. Paul and Cleveland, as well as an exhibit at the National Fancy Food and Confectionery Show in New York.

The Fisheries Council of Canada received \$200,000 from the Department to promote increased cod, haddock and flounder consumption in the United States. The Department also assisted the Mackerel Development Program to increase mackerel utilization.

To guide Canadian firms seeking new and expanded markets, studies were made of the world market for pulses and poultry, and the South American market for livestock.

The Agriculture and Food Products Market Development Assistance Program (AGMAP) supported 23 projects with a total financial commitment of \$2.8 million since its inception in June 1973. AGMAP financial assistance helped develop marketing strategy for Canadian apples in Britain and carry out official testing of Canadian seed varieties for EEC certification.

The eight working groups established with the U.S.S.R. on co-operation in the industrial application of science and technology continued visits and exchanges. A key objective is to acquaint Soviet Industrial Ministries with exportable Canadian expertise. A Bulgarian delegation came to Canada to explore industrial technology.

Canada continued to co-operate with her allies in defence planning through co-operative defence research, development and production programs co-ordinated by the Department. Many of these programs have civilian applications and represent advanced technology in communications, navigation and transportation equipment. Defence export contracts placed in Canada by NATO and other friendly countries amounted to \$287.4 million in 1974/75. Imports of defence equipment amounted to \$264.2 million.

The Transportation Industries Branch took a leading role on an Interdepartmental Task Force seeking to establish a nationally based urban transportation development corporation. The corporation will be funded through federal and provincial equity participation. It will provide the urban transit industry with a strong national organization capable of developing new equipment and mobilizing and co-ordinating manufacturing and marketing. Industry is to be assisted in supplying the rapidly expanding domestic market and the equally strong international market.

Department-sponsored missions resulted in sales of 61 locomotives to Iraq, and 50 locomotives to Tunisia, Peru and Ceylon. Department initiatives resulted in Mexico ordering locomotives, freight cars, passenger coaches and steel rail through \$200 million in credit from the EDC. Gas turbine propulsion units were exported for prototype rapid transport cars in the United States market which the Department emphasized by bringing in missions.

Intra-urban equipment sales of rapid transit equipment, light rail vehicles, urban commuter equipment and ancillary components totalled \$175 million.

Grain and Oilseeds Program

Grains and oilseeds exports totalled 533 million bushels (14.3 million tons). The government credit program accounted for exports of about 129.5 million bushels (3.5 million tons) of grain, mainly wheat. Aid shipments of grain totalled 25.2 million bushels (669,000 tons).

A basic objective of the market development program is to increase the use of Canadian grains and oilseeds by the development of markets for traditional commodities and by promoting value-added processing of these. New Canadian and foreign markets are sought for protein, oil and starch components of grains and oilseeds in food product and animal feed industries.

By providing financial assistance, the Grains and Oilseeds Marketing Incentives Program (GOMI) encourages a segment of Canadian industry to expand and diversify in domestic and export markets, with emphasis on enhancing value-added processing. Ten projects approved under the program in 1974/75 involved financial assistance amounting to \$1.9 million.

They included the development of new products and processes; market development activity in the Far East, the Caribbean and United States and projects involving handling facilities for the export of grain and oilseeds products. One example of this was the feed grain seminar held in Japan in November 1974, the culmination of a joint two-year project with the Canadian Wheat Board to demonstrate the good performance of Canadian barley and utility wheat in Japanese livestock rations. The market for feed grain in Japan is 17.5 million tons a year. Another example was assistance in the form of a guarantee on throughput for an edible oil storage and loading facility at Vancouver.

Under the Prairie Grain Advance Payments Act, payments of interest charges in 1974/75 totalled \$1,792,405. Purpose of the scheme is to advance producers some of the proceeds they would eventually receive from pool grain sales. Under the two-price wheat program, payments of about \$78.7 million were made to the program.

Legislation to amend the Prairie Grain Advance Payments Act was placed before Parliament to increase the maximum advance available to a producer. An amendment to the Canadian Wheat Board Act was also introduced to guarantee payments under the two-price wheat program.

An electoral process was introduced to enable producers to elect members of the Canadian Wheat Board's Advisory Committee. The first election was funded by the government.

After a year of detailed consultations with all sectors of the industry, the government implemented a new domestic feed grain marketing policy in August, 1974. The main provisions are:

- . Maintenance and payment of carrying charges by government on reserve stocks of feed grain at Thunder Bay and Halifax, costing \$4 million annually.
- . Direct access by users across Canada to western feed grains.
- . Re-introduction of feed grain futures trading by the Winnipeg Commodity Exchange.
- . Substantial increases in cash advance limits.

Work continues on other policy elements, including price guarantees, freight rate inequalities and an overall storage program.

At the International Wheat Council, Canada agreed to the extension by protocols of the International Wheat Agreement 1971, to June 30, 1976, and supported appointment of a Preparatory Group to examine the possible bases for a new international wheat arrangement. In the context of a possible new agreement, reserves will be a major area of examination.

The POS (Protein, Oil, Starch) Pilot Plant Corporation, a joint industry and government initiative, expanded its membership to include 19 industrial companies, one university and one provincial government. The executive director was appointed and a pilot plant will be built in Saskatoon. The non-profit corporation is designed to develop new food technologies for Canadian crops.

The Rapeseed Utilization Assistance Program provides annual grants for research and development on rapeseed varieties and products to increase Canadian rapeseed use at home and abroad. The program, administered by the Rapeseed Association of Canada, received \$300,000 in 1974/75 to undertake 16 projects. These are to assess the nutritional properties of new rapeseed varieties and develop new products and processing techniques. Major research activities for 1975 are on vegetable oils, with secondary emphasis on meals.

Canada Grains Council activities were focussed through four major committees on areas of current and future significance to the grains industry. Committees on Grain Handling and Transportation, Metric Conversion, and Feed Grain Specifications are concerned with specific initiatives to improve and expand marketing of grains and their products. The Council is funded jointly by membership fees and contributions from the federal government.

In 1974/75, its second full year of operation, the Canadian International Grains Institute provided existing and potential customers for Canadian grains with an opportunity to acquire training in all facets of the industry. Seven different courses were given involving representatives from 23 different countries.

Centre for Joint Ventures and Turnkey Projects

A new Centre has been established within the Department that will be responsible for the promotion and marketing abroad of Canadian capability to participate in multi-disciplinary industrial projects either as a turnkey project or as a joint venture to establish a continuing industrial or service operation in a foreign country. The purpose of this Centre is to provide a focal point of contact in the Department through which businessmen can obtain information and guidance when pursuing such projects abroad. The main thrust of the Centre is to encourage and support the efforts of the private sector and in particular it will seek out Canadian companies interested in pursuing identified opportunities rather than initiating or co-ordinating a public sector response.

TOURISM

Despite the energy crisis, inflation and economic uncertainty, Canada's travel industry income exceeded \$7.3 billion. It generated employment for the equivalent of some 785,000 man-years for Canadians. Nearly 14 million non-resident tourists entered Canada and stayed one night or more, making Canada one of the world's eight top travel destinations. An additional 24 million, largely from the United States, entered Canada for stays of longer than 24 hours.

Domestic travel by Canadians increased substantially, balancing out a slight decrease in visitors from the United States. The estimated value of in-Canada travel during 1974 was \$5.7 billion. Income from international visitors during the same period was \$1.6 billion. The Canadian Government Office of Tourism (CGOT) is projecting a \$10 billion industry by 1980.

CGOT's tourism marketing budget for 1974/75 was \$17 million. Of this, \$9.2 million was spent on direct mail and advertising and \$527,000 on special exhibits and promotions.

Editorial material and photographs were sent to more than 1,000 travel editors throughout Canada, the United States and overseas. Fifty-five thousand colour photo transparencies, slides and prints were distributed throughout the world. In the United States alone, Canadian travel films were seen by an estimated 250 million viewers through television and direct screenings.

CGOT organized 27 cross-Canada familiarization tours for 905 travel trade representatives from 25 countries.

The 1974 World Travel Congress of the American Society of Travel Agents (ASTA) held in Montreal attracted 5,066 registered delegates. CGOT took 700 of them on cross-country tours as an investment in the promotion of more travel to and within Canada.

CGOT's leadership and co-ordination of federal tourism programs and promotion of federal-provincial tourism co-operation were prominent at the 29th Federal-Provincial Conference on Tourism held in Quebec City. Featured were seminars and discussions on improved tourism research, federal-provincial co-operation, opportunities offered by new transborder, Canada-United States air routes, profit potential of fast-developing incentive travel, and the further upgrading of Canada's tourism plant.

Through the CGOT's Travel Industry Development Program (TIDP), provinces were assisted in formulating tourism development strategies and in planning the implementation of major projects -- some of these by application of other programs such as subagreements (on Tourism) under the Department of Regional Economic Expansion (DREE).

CGOT assigned Regional Tourism Officers to Vancouver, with responsibility for British Columbia and the Yukon; to Edmonton for Alberta and the Northwest Territories; to Regina for Saskatchewan and Manitoba, and to Quebec City for the Province of Quebec. Tourism Officers will also be located in Halifax for Nova Scotia and Newfoundland and in Moncton for New Brunswick and Prince Edward Island.

Some new programs were begun by CGOT, including the Tour Development Program. Under this, the federal government contributes up to \$50,000 or 50 per cent, whichever is less, toward total cost of creating, developing and merchandising a new package tour.

The Canadian Government Office of Tourism launched a trial run of CANTRAV, a management information system. Accommodation operators benefit by using data from this electronic processing system. The objective is to help improve management decisions, profits and to attract investment.

A number of industry improvement publications was issued, including "Design in Tourism: Restaurants", a manual assisting restaurateurs in planning decor, facilities and improving efficiency. New studies were published on the impact and significance of tourism along with a supplement to the 1971 Canadian Travel Survey conducted for CGOT by Statistics Canada.

A 150-page Package Tours directory was produced as a reference guide for travel agents and industry. The annual directory listed tours to Canada from the United States as well as tours originating in Canada.

Canada's travel industry benefited from \$106 million in loans made by the Industrial Development Bank last year, 23.5 per cent of all lendings by this Bank in 1974. A CGOT interim estimate indicates approximately \$630 million of direct gross public and private capital formation is generated annually by Canadian tourism activity.

INDUSTRY, TRADE AND COMMERCE

Statement of Expenditures

Trade Industrial Program

Vote		1974--75
1, 1b, 1d	Operating Expenditures	\$ 63,233,564
5	Textile and Clothing Board--Operating Expenditures	199,041
10, 10b	Grants and Contributions	133,209,599
Statutory	Minister of Industry, Trade and Commerce--Salary and motor car allowance	17,000
Statutory	General Incentives to industry for the expansion of scientific research and development in Canada	26,549,137
Statutory	GAAP Insurance Losses	1,208,527
Statutory	Contributions to superannuation accounts	3,805,000
	Loans to assist manufacturers of Automotive Products in Canada	202,277
	Loans to assist Defence Manufacturers with Defence Plant Modernization	6,826,011
	Loans to assist the pharmaceutical industry in the manufacture of low-priced prescription drugs	350,000
	Loans to assist manufacturers under the General Adjustment Assistance Program	5,041,244
	Loans under the footwear and tanning industries adjustment program	653,041
	Loans for various special projects	29,458,782

Tourism Program

Vote		
30	Program Expenditures	22,341,426
Statutory	Contribution to Superannuation accounts	478,000

Grains and Oilseeds

Vote		
35	Operating Expenditures	1,314,469
40	Grants and Contributions	16,676,725
Statutory	Payments in connection with the Prairie Grain Advance Act	3,058,348
Statutory	Payments in connection with the Prairie Grain Provisional Payments Act	41,587
Statutory	Contribution to Superannuation Accounts	111,000
41a	Two Price Wheat	78,670,981
42b	Contribution Two Price Wheat Special Permit Book Holders	2,559,344
43b	Contribution to Canadian Wheat Board	1,849,215

INDUSTRY, TRADE AND COMMERCE

Statement of Revenues

Return on Investments	1974--75
Interest on loans to Export Development Corporation	42,837,642
Interest on loans to assist manufacturers of automotive products	1,825,053
Interest on loans to assist the pharmaceutical industry	66,430
Sundry	1,007,947
Refunds of Previous Year's Expenditures	
Repayments re DIP	548,150
Repayments re PAIT	80,530
Repayments re PEMD	130,310
Miscellaneous Refunds	1,444,440
Miscellaneous	
Sundry	1,251,160

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Government
Publications

ANNUAL REPORT 1975-1976



Industry, Trade
and Commerce

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Department of Industry, Trade and Commerce

ANNUAL REPORT

1975-76

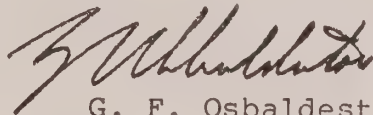
OTTAWA

The Honourable Jean Chrétien
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual report of the Department of Industry, Trade and Commerce covering activities during the period April 1, 1975 to March 31, 1976.

Respectfully submitted



G. F. Osbaldeston
Deputy Minister

OTTAWA

To His Excellency
The Right Honourable Jules Léger, C.C.,
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency the annual report for the Department of Industry, Trade and Commerce covering the period April 1, 1975 to March 31, 1976.

A summary of the Department's policies, activities and services rendered is laid before Your Excellency.

Respectfully submitted



Jean Chrétien
Minister of Industry,
Trade and Commerce

INTRODUCTION

Adjustment to the realities of double-digit inflation and concurrent economic recession in many parts of the world featured the activities of the Department during fiscal 1975/76. This adjustment involved a re-assessment of priorities in programs for industry and international marketing, and developments during the year reflected the value of the Department's major incentive programs for product innovation.

A six-month decline in exports was halted at the beginning of the fiscal year and steady increases were recorded over the following 12 months, despite a brief but sharp slump in the third quarter of 1975. At least some of this improvement can be attributed to the development by Canadian manufacturers of highly innovative new products which began to receive broad acceptance in the international market during the year. Improved design and expanded research programs also contributed to the favorable result, as did the development of consortia and joint ventures. All of these developments were related, in part, to assistance programs for industry and international marketing launched by the Department in recent years.

In the light of improved performance, the Department began re-assessment of priorities and began studies on the impact of all its assistance programs. Recommendations will be made to improve further their effectiveness. A parallel study is directed toward improving the Department's interface with business and industry.

In these studies, particular attention is being paid to the needs of small business, which received a strong assist in October with the formation of the Federal Business Development Bank. This new agency's mandate is to provide comprehensive financial and managerial services to small and medium-size businesses. It embraces the former Industrial Development Bank, which came into being as an agency of the Bank of Canada, and various federal business counselling services formerly provided by I.T. & C., the National Research Council and the Department of Manpower and Immigration.

Establishment of the Centre for Joint Ventures and Turnkey Projects was another significant initiative taken to improve the marketing of Canada's goods and services throughout the world. This group works with Canadian firms to establish consortia to undertake projects which might be too large in scope for any individual firm. It will also seek partnerships between Canadian firms and foreign companies, since the joint venture approach is virtually the only effective method of gaining access to some markets.

Trade fair and trade mission activities were intensified to introduce Canadian goods and services to new markets and support promotional efforts in established markets. The Honourable Don

Jamieson led missions of businessmen to France and Southeast Asia. He also had trade talks in Switzerland. The Honourable Alastair Gillespie, Minister until late September, had trade talks in Japan and Korea and spoke of Canada's trading aims in San Francisco and New York.

The Canadian Trade and Tariffs Committee consulted with all sectors in preparing Canada's position for the Multi-National Trade Negotiations in Geneva, during which Canada will seek greater access for Canadian goods and services abroad through the lowering of tariff and non-tariff barriers.

The Government's war on inflation called for cutbacks in spending in both the private and public sectors. As one result, the Department had to withdraw its assistance under the Industrial Research and Development Incentives Act (IRDIA).

Details of some of the major activities of the Department follow in this report, which does not attempt to cover all projects undertaken during the year, but rather to give Parliament and the public an overview of the most significant developments of 1975-76.

PRODUCT INNOVATION

The Department has long maintained that, when Canadian manufactured goods come under heavy competition in foreign markets from countries whose low labour costs provide them with a built-in price advantage, the answer is not to cheapen the Canadian product, but to produce more sophisticated articles that incorporate our special technological skills. It has encouraged specialization in high-technology, sophisticated manufacturing in recent years through its Program for the Advancement of Industrial Technology (PAIT).

The validity of this belief was strengthened in 1975/76, a year during which markets for traditional manufactures softened in many countries. A number of highly innovative new products, such as a hand-held police radar, word processors, and advanced instruments for oil and mineral exploration, among others, have been developed with the Department's support and are now beginning to receive widespread international market acceptance. The success of such Canadian products in export markets helped to make possible a 16.6 per cent increase in sales of manufactured goods abroad, despite greatly intensified competition for more conventional end products.

The Department has continued to support the development of markets for Canadian instrumentation and process control equipment, with emphasis on capabilities in the fields of geophysics, cartography and photogrammetry, mineral processing, pulp and paper, and supervisory control instruments. Companies in these fields have secured significant portions of their business in export markets.

As an indication of the high standards of Canadian technology in the most sophisticated fields, practically all the electronic systems and equipment installed at Mirabel International Airport, including navigation aids, air traffic control, and passenger reservation and information systems, were produced in Canada, and there is reason to believe that some of these systems also have export potential.

There has been a trend toward the emergence of a growing number of small, high-technology, innovative companies in the western provinces. Departmental programs have supported them in the development of such products as computer software, geodetic and cartographic instrumentation, and supervisory control systems.

Canada continues to produce state-of-the-art products and systems for domestic and export sale, including airborne navigation equipment, aircraft simulators, and automated air traffic control systems.

Companies producing consumer products have also received departmental assistance in developing a number of new small appliances for the North American market.

Increased demand for intrusion alarms, airport security systems, and fire-warning devices, both domestically and internationally, has sparked the development and marketing efforts of a number of Canadian electronic firms during the year under review. Assistance has been provided in product development and the securing of foreign contacts for manufacturers of equipment and systems of this type.

New technology developments have also been taking place in the production of more conventional machinery, with assistance from the Department's incentive programs. Among them is a new paper-forming machine that is expected to revolutionize paper mill operations. It makes possible a continuous paper-making process, from the pulp to rolls of finished paper. Savings in time are considerable compared with the traditional multistage paper-forming process.

A Canadian company has perfected a portable rig, capable of drilling a two-foot-diameter hole in permafrost to a depth of 50 feet. It was designed for the placing of pilings to support oil and gas pipeline systems. The equipment has been sold for use in the construction of the Alaska pipeline, and negotiations are under way with the U.S.S.R. for possible sales to that country.

A record order for the export of packaged housing was received by a Canadian company. The buyer was the Iranian Nippon Oil Company in Iran. The order, covering 165 complete houses, including carpets and other interior finishing, was

to be shipped in April, 1976, and the houses were scheduled for erection on site by August. The company is currently negotiating for further contracts in Iran and Saudi Arabia.

A Canadian aerospace company has established a unique capability in remote manipulation devices particularly applicable to space systems and most satellites now incorporate antennas designed and manufactured by it. At present, the company is developing a satellite manipulator for the NASA space shuttle. It is being assisted to investigate other applications for remote manipulators in medical and nuclear instrumentation and in underground, underwater and industrial applications.

Canadair's CL-125 amphibian, which was developed as a water bomber, with the support of PAIT, has been further developed as a search and rescue aircraft. Forty-seven CL-125s have been sold, most of them to France, Spain and Greece, and the company is manufacturing an additional 15, in the light of interest shown by other countries.

A prototype battery-powered electrical utility vehicle has been developed by a Canadian firm. Its performance is sufficient to satisfy many of the needs for such a utility vehicle. Weighing 1,020 kg, it travels up to 75 km on a battery charge.

The world's largest logging truck (200-ton capacity), developed by a Canadian firm, has completed field trials and negotiations for the sale of these vehicles are now in progress.

A Canadian company has sold two "stretched" versions of its air cushion vehicle to the U.S. Army for a price in the neighbourhood of \$4 million. The vehicles will be field tested by the Army prior to a procurement of 26 more ACVs.

MARKET DEVELOPMENT

In addition to providing traditional export sales promotion support to exporters, in the form of trade fairs and exhibits, trade missions, and the early identification of opportunities in the field by the Trade Commissioner Service, the Department continued its marketing development efforts in other directions.

The formation of consortia among several companies in a given industry has helped to create export opportunities of a scale that no single company would have the resources to meet on its own.

In other cases, due to either the political structure of the customer nation, the sheer scope of the contemplated

project, or the nature of the product required (e.g. military equipment), it is essential that details be worked out at the government-to-government level and a joint venture arranged, in which Canadian suppliers pool their resources with a company or agency in the country concerned and combine to produce the end product, to their mutual benefit.

Neither the consortium nor the joint venture is new in international trade, but both avenues have been presenting themselves more frequently as logical solutions in recent years.

Consortia

The Department assisted in the formation of several consortia during the year, in fields ranging from construction to agricultural products to sophisticated electrical and electronic instruments.

Canada's first housing export consortium, Homexpo Canada, Limited, was established and legally incorporated in February, 1975. It will undertake the development of export markets for packaged homes manufactured by six companies in British Columbia. The primary target markets at present are Japan, New Guinea, and the Middle East. First major orders are expected to be placed by mid-1976.

Two consortia -- Canacor and Canada Interexpo -- were established to pursue turnkey agricultural projects in the Middle East.

In co-operation with the governments of New Brunswick and Prince Edward Island, the Department launched a consortium of seed potato exporters to improve the marketing of their product.

The instrumentation and process control industry relies heavily on international markets, and the Department has started to place emphasis on the formation of a multi-company consortium to approach the international market.

A consortium of Canadian geophysical instrument and satellite survey positioning system manufacturing firms was supported by the Department at the U.S.S.R. geophysical exhibition in Moscow in November.

Joint Ventures and Turnkey Projects

Because of the new emphasis on joint venture projects in the trade policies of some European and South American countries, the Department reorganized its administrative structure to meet the challenge.

The Office of International Special Projects was renamed the Office of International Projects (OIP). It now consists of three branches: the Defence Programs Branch, the Capital Projects Branch (formerly the Special Projects Branch), and the Centre for Joint Ventures and Turnkey Projects.

The latter acts as a focal point for Canadian businessmen wishing to investigate and pursue joint venture or turnkey projects abroad. Its function is to co-ordinate information on such projects with other branches of the Department and to offer guidance to Canadian firms in such matters as project description, bid specifications, foreign contacts, costs, insurance, bid bonds, local conditions, and legal implications -- all important factors in arriving at realistic bids.

The Joint Ventures Centre will draw the attention of Canadian companies to identified opportunities abroad and help them research such opportunities before a decision is made. Efforts will be concentrated on joint ventures which clearly have the prospect of providing significant benefits to Canada.

Capital Projects Branch

The Capital Projects Branch becomes the focal point in the Department for the pursuit of a broad range of capital project business and for the consulting and technical service industries which frequently are the forerunners in pursuit of capital projects abroad. These include consultants, architects, aerial surveyors, agronomists and other professional organizations. The branch is also responsible for co-ordinating a Canadian response to capital projects of a multi-disciplinary nature, involving, for example, consultants, architects, planners and capital equipment manufacturers from two or more industrial sectors.

During the year under review, the Capital Projects Branch processed more than 300 PEMD applications, most of which involved capital project business, as well as providing normal assistance to firms, exclusive of PEMD, in the pursuit of many other export projects.

The geophysical instrument and contract services industries are now rebounding after several years of declining business, as a result of increased world demand for new energy and mineral survey instruments. However, Canadian companies are now being forced to consider joint ventures in order to maintain the large markets they have enjoyed in countries such as Brazil, Australia and Poland.

The Department was instrumental in implementing a joint venture with the government of the Federal Republic of Germany and industry for the engineering and prototype development of Canadair's CL-289 Battlefield Surveillance Drone, which is a second-generation variant of the CL-89 Drone. The joint venture is under the control of Canadair, in recognition of its established systems management experience in this product area.

A number of geophysical instrument manufacturers exhibited at Poznan, Poland, in June 1975, during which arrangements were made to demonstrate mineral survey instruments in the Silesia mountains. Continued exchange of technical information with the various Polish organizations is expected to result in substantial sales of Canadian equipment and possible co-operative ventures in third countries.

Technological exchanges were undertaken with numerous foreign countries in the field of manufactured wood products. Canadian missions of manufacturers of houses, kitchen cabinets, and millwork visited Britain, Sweden, Norway and Finland. Opportunities for joint manufacturing and marketing ventures in these countries and in third countries were explored. Several specific opportunities were identified and are being followed up.

Office of Export Programs and Services

The Department's promotional support arm is responsible for two programs -- the Promotional Projects Program (PPP) and the Program for Export Market Development (PEMD). The first involves Canadian participation in trade fairs, trade missions and in-store promotions initiated and implemented by the Department; the second helps to develop sustained exports of goods and services through the support of industry-initiated activities.

In the year under review, 524 companies were assisted under the PPP to participate in 45 offshore international trade fairs; 18 outgoing missions took 110 Canadian businessmen to 16 countries; 20 incoming missions brought 118 foreign businessmen to Canada; and a further 1,046 foreign buyers visited Canadian suppliers. Total departmental investment in these activities was \$3,686,900, from which more than \$147 million in sales have been reported.

Through its PEMD operations, the Department provided some \$3.5 million in repayable contributions to companies to share their costs in developing export business -- costs that might otherwise discourage them from seeking foreign sales.

Between April 1, 1975, and March 31, 1976, 1,835 applications were received and companies reported export sales of \$20,556,611 resulting from the program. Since PEMD's inception in 1971, 5,873 applications for assistance have been received and total export sales of \$265,011,611 have been reported.

Trade Commissioner Service

The Trade Commissioner Service deployed 240 Foreign Service Officers and 170 locally engaged Commercial Officers in a network of 89 offices in 64 countries. New commercial divisions were established in the Canadian embassies in Rabat, Morocco and Bucharest, Romania.

During the year, Trade Commissioner Posts were active in responding to more than 36,000 requests from Canadian businessmen for export marketing assistance and directed more than 48,000 inquiries from foreign buyers to Canadian industry. Posts assisted in establishing 1,870 new foreign agencies and provided some 2,670 new buying connections to Canadian firms. An increasingly active part was played in trade relation activities. In addition to reporting on local legislation affecting Canadian exports, Trade Commissioners worked closely with other departmental officials to identify impediments to Canadian trade and market access problems. Posts also collaborated with other branches and DREE to identify and encourage direct investment of significant benefit to Canada. In 1975/76, Trade Commissioners played a role in a number of projects involving a potential investment in Canada of more than \$200 million. In foreign markets where access for Canada's exports was difficult, Trade Commissioners encouraged Canadian investment and joint ventures.

Specific Activities

A Forest Products Industries Mission visited the European Community in March, 1976. Senior Canadian industry executives and officials of the Department examined opportunities for joint ventures with European partners and explored other possibilities for industrial co-operation.

A second meeting of the Canada/Japan Housing Committee, aimed at the exchange of housing technology, was held in October, 1975, when senior Japanese and Canadian government officials and industry representatives discussed a number of technical subjects ranging from the testing of wood-frame housing structures to problems of urban development. The next committee meeting is set for mid-1977 in Tokyo.

In addition, the Department led three construction-oriented missions abroad during the year -- one to Britain to discuss international co-operation in the pursuit of projects in third countries, and the other two to investigate opportunities in the Middle East.

The Department played a leading role in arranging two visits of Canadian businessmen to the U.S.S.R. and one visit to Canada by a Soviet delegation, in the context of industrial application of

science and technology. As a result of these activities, Canada obtained a \$9.7 million contract to drill an oil well in the Soviet Arctic.

A Chinese Bureau of Geology mission visited Canada in September and October, as a direct response to the Department's electronic equipment and scientific instrument exhibition held in Shanghai in 1974. The People's Republic of China has invited a return mission in September, 1976. These exchanges increase the possibility of substantial sales of aircraft, ground instruments, airborne survey systems, computerized mapping systems and data processing equipment to that country.

Telecommunications marketing activities resulted in incoming missions from Saudi Arabia, Peru and Iran, all of which were followed up by proposals and visits from Canadian firms.

Sales promotions for Canadian food and beverage products and livestock were pursued actively in the United States, Japan, the European Economic Community, the Middle East and North Africa.

Surveys of the market for processed foods were undertaken in Detroit, Seattle, Philadelphia and Boston, and solo shows featuring grocery and fish products were held in Cleveland and Minneapolis-St. Paul. The Department also sponsored an exhibit in the National Fancy Food Show in Chicago.

In Japan, food and beverage products were the subject of a number of in-store promotions. Several Japanese restaurants featured Canadian foods on their menus.

A special, reduced levy for aged Canadian cheddar cheese was negotiated with the EEC, effective April 1, 1975. Exports of cheddar cheese to Britain resumed immediately after with sales amounting to about one million pounds during the year. The Department also organized a cheddar cheese mission to Britain and Europe to determine the best means of regaining our traditional market for cheddar in Britain and to establish the product in other EEC countries.

Plans for an in-store clothing promotion in four countries were finalized. More than 200 C & A Europe stores in the Federal Republic of Germany, Belgium, The Netherlands and Britain will feature Canadian merchandise and support the promotion with advertising designed to reach 65 million consumers.

The first large-scale international book fair ever to be held in North America took place at Place Bonaventure, Montreal, in May, 1975. Close to 550 organizations from 57 countries exhibited at the fair, with foreign companies accounting for more than 60 per cent of the total.

With the slowdown of economic activity in Canada, the sporting goods industry experienced a significant decrease in sales. The estimated value of factory shipments declined 17.3 per cent from

the previous year. The value of Canadian exports decreased 16.5 per cent, but the overall value of imports increased marginally (4.9 per cent).

The economic slowdown did not seriously affect manufacturers of jewellery made of precious metals and stones. A number of firms moved to larger and more efficient plants to increase production to meet market demands. Exports increased by only 4 per cent over 1974, whereas imports increased \$7 million, or 15 per cent.

The adverse effects of the U.S. economic situation were felt by the clothing industry early in 1975. However, the third quarter presented a much brighter picture to Canadian exporters as retail inventories dropped and sales rose substantially. This was particularly evident in children's outerwear and women's leather garments.

Major export sales of power generation equipment included \$23.7 million of gas turbines to Indonesia, Iran, India and the People's Republic of China; \$7.2 million of power boilers to the U.S.S.R. and \$4.5 million to Israel. Hydraulic turbines worth \$4.6 million were sold to Brazil.

Under the free trade arrangement with the United States on agricultural equipment, Canada sold more than \$450 million worth of farm machinery to that market in 1975 -- 80 per cent of total Canadian exports in this category. Other major sales of farm equipment included \$8.2 million of combines to Mexico, \$8.1 million of tractors and parts to Algeria, and \$6.3 million of the same commodity to Australia.

Canada sold \$85 million worth of mining equipment abroad in 1975, of which \$13 million went to Iran, Chile, Indonesia, Brazil and Peru.

An electric power seminar on the design and construction of large waterwheel generators was conducted by the Department in Rio de Janeiro for the benefit of Brazilian electrical engineers and utility personnel. A recent contract, calling for a Canadian company to provide component parts and engineering for six generators to a large Brazilian project is but the first of several opportunities expected to develop from that initiative.

Companies in the avionics sector took part in an effective group marketing trip to Eastern Europe. Technical seminars were held in Czechoslovakia, Poland and the U.S.S.R. Specific market opportunities are now being pursued for major avionic requirements in the latter two countries. Initial equipment sales have also been made in Bulgaria and visits made to Canadian companies by Bulgarian, Soviet, Polish and Yugoslavian officials.

Telecommunications marketing activities resulted in incoming missions from Saudi Arabia, Peru and Iran, all of which were

followed up by proposals and visits from Canadian firms.

The Department was involved in a government-sponsored pavilion at Geneva in October, sponsored by the International Telecommunications Union. Thirty-seven countries participated and an attendance of 100,000 was estimated. Canada presented 12 technical papers out of a total of 120 during the technical sessions.

As part of continuing efforts to develop the telecommunications market in the People's Republic of China, an incoming eight-man mission on satellite communications was given a two-week tour of the Canadian space industry.

The Department assisted in negotiating various telecommunications projects in Africa and provided marketing assistance to industry in Africa and the Middle East. Officials also attended the Pan African conference in Kinshasa in December.

Similar telecommunications marketing assistance was provided for industry through incoming missions and marketing intelligence. Marketing visits were made to Central and South America to discuss specific projects in Peru, Ecuador, Panama, Costa Rica, Nicaragua and Mexico.

An outgoing Community Antenna TV mission, comprising government and industry officials, made a technical presentation at the First Italian CATV Exhibition in Milan, Italy. The Department also took part in the annual Canadian CATV convention and exhibition in Vancouver, making a presentation on "Export Possibilities in CATV."

During the year, the Department continued to place emphasis on penetration of the U.S. transportation market, sponsoring a number of incoming buyer missions and pursuing specific opportunities in co-operation with the Canadian urban transportation industry. This spadework is expected to produce orders of between \$75 million and \$100 million within the next few months.

Canadian aircraft sub-systems are improving their export positions. A Canadian company increased its sales of undercarriages from \$9.6 million in 1973 to \$19.1 million in 1975. Canadian designed and built undercarriages are now installed in aircraft built in Switzerland, Britain, the United States and Canada.

Two Canadian manufacturers of off-highway mining trucks are leading contenders for large Soviet orders for such equipment. One company received substantial orders from San Francisco, California and Dayton, Ohio, for its electric trolley buses, and another obtained a major repeat order from Australia for its MCI MC8 highway buses. An Australian bus line has indicated that it intends to standardize on MCI equipment for its whole fleet.

A stepped-up marketing program on behalf of Canadian off-road vehicles resulted in a new high of close to \$30 million in export sales being set during the year. One Canadian firm made two separate sales to the U.S.S.R. of more than \$4 million. Both were cash sales, the second being negotiated in the record time of three-and-a-half weeks by the use of Telex.

Thirty-three Canadian companies participated in the 1975 Paris Air Show under Departmental sponsorship. The exhibit highlighted Canadian aerospace industry in three areas -- innovation, manufacturing and services. It was not possible to exhibit the de Havilland DASH 7 prototype as it was undergoing certification tests in Canada, but it appeared on French television through live transmission by satellite from the Rockcliffe STOLport.

PRODUCTION EFFICIENCY

The destructive effects of inflation and stiff international competition have focussed attention on the pressing need for improving Canadian productivity. As a result, the Productivity Analysis Branch has been called upon with increasing frequency for information and advice. The requests have come not only from central government agencies, but from provincial governments, industry associations, research agencies and corporations.

To meet this demand, the Department issued a major report comparing the performance of Canadian and competing U.S. industries. It examined the interrelationships between employment, prices and productivity, and made an analytical comparison of individual companies within various sectors to show management in quantitative terms where their relative strengths and weaknesses lay, so that they could take corrective action.

During the year, 11 sector comparisons were completed, covering a variety of industries, such as the manufacturers of men's suits, knitted underwear, tanneries, steel construction, home furnishings, air conditioning, and chemical fabric and film. A start was made on 14 other sector comparisons, including furniture manufacturers, plastic producers, die casters, farm implement manufacturers and computer services.

In October, the Department was host to the directors of the European Association of National Productivity Centres and of co-operating agencies from all around the world. Purpose of the association is to promote international co-operation in productivity improvement and to search for ways of improving joint action toward the solution of this worldwide problem.

University Activities

The Department's program to encourage universities and other organizations to establish research facilities in specific technical fields resulted in creation of a Biomedical Instrumentation Development Unit at the University of Toronto. The new organization joins nine industrial research institutes, eight centres of advanced technology and three industrial research associations already established under the program.

The new unit will enable Canadian industry to benefit from the accumulated experience of the University in designing and evaluating medical instrumentation.

Thirteen awards under the University Grant Program were made to eight universities and one independent research team. This program is aimed at increasing academic interest in technological innovation, while also providing information for policy-making purposes.

International Science and Technology Activities

The Minister co-chaired the fourth session of the Canada/U.S.S.R. Mixed Commission in May. One recent activity under the Commission's aegis is being undertaken by the Canadian Drilling Research Association, which has begun testing Soviet turbo-drills in Western Canada and has also concluded a contract to supply the U.S.S.R. with Canadian equipment, technology and services for drilling a well in the Soviet permafrost.

Metric Conversion

The Department continued to co-ordinate the overall implementation of metric conversion within federal government departments and agencies. The Cabinet, on recommendation of the Interdepartmental Committee on Metric Conversion, approved new procedures for amending legislation in order to facilitate metric conversion.

Automotive Parts Industry

An improving climate for vehicle sales has gone a long way to recapturing the production efficiency of existing facilities. Capital investment is not buoyant, but continues to add to the Canadian inventory of manufacturing capabilities, notably in basic machine tools and automatic handling adjuncts.

A number of automotive parts orders have been single-sourced for North American requirements, rather than placed with two or more

vendors. Thus, some Canadian companies have been rewarded for their specialization with orders representing maximum possible runs, thus achieving greatly improved production efficiency.

PEP Projects

The Program to Enhance Productivity (PEP) approved 38 projects with a total commitment of \$527,000, compared with 62 projects and \$660,000 in 1974/75. PEP underwrites up to 50 per cent of the cost of examining the feasibility of projects aimed at improving production efficiency. The average study is completed within one year and the Department's contribution ranges from a few thousand dollars to a limit of \$50,000. Support has been given to projects in all regions of Canada and in all secondary manufacturing and processing industries.

Saving Energy

At the second Industry Energy Conservation Conference, sponsored jointly by the Ministers of Industry, Trade and Commerce and of Energy, Mines and Resources, the pulp and paper industry set a target to reduce its unit energy requirements by 12 per cent by 1980. This industry now uses 24 per cent of all energy purchased by Canadian industry.

Wood Harvesting

The Forest Engineering Research Institute of Canada, jointly funded by the federal government and the forest products industry, began an active research program aimed at reducing the cost of wood harvesting and delivery.

INTERNATIONAL ENVIRONMENT

United States Trade

Trade between Canada and the United States in 1975 was more than \$44 billion, with Canadian exports standing at \$21.4 billion and imports at \$22.8 billion. As a result of the prolonged economic downturn in the United States, the total value of Canadian exports to that market increased only slightly in 1975 and in the first quarter of 1976; however, the relatively stronger demand in

the Canadian economy contributed to a substantial increase in imports from the United States. The significance of these figures can be appreciated when one realizes that Canadian exports to the United States are 65 per cent of total Canadian sales abroad while our imports from that country are 68 per cent of total Canadian imports. Canadian exports to the U.S. market account for 35 per cent of all goods produced in Canada.

The focus of policy makers in both countries, although not overlooking purely bilateral questions, was increasingly on the Multilateral Trade Negotiations taking place in Geneva. With the passage of the Trade Act of 1974, the United States had the authority to further its participation in the "The Tokyo Round" and to facilitate a more substantive phase of the negotiations being carried out under the General Agreement on Tariffs and Trade.

Bilateral discussions with the United States were carried forward in a number of bilateral and multilateral forums and discussions were held in Ottawa during the visit of Ambassador Dent, the U.S. Special Trade Representative. Factors that continued to influence our bilateral trading relationship were U.S. concerns over security of supply in the oil and gas sector and over certain economic policy initiatives in Canada, particularly as they might affect foreign investment. Representations were made to the United States on several issues, including the implications that U.S. regulations on trade with Cuba may have for Canadian exporters.

Agricultural issues continued to be an important aspect of Canada - U.S. trade relations. Bilateral discussions led to the joint removal of Canadian and U.S. restrictions on cross-border trade in livestock and meat. In support of a domestic supply management program, Canada introduced an import quota on eggs. This gave rise to a U.S. industry petition under "section 301" of the U.S. Trade Act urging retaliation against the Canadian import restrictions. A GATT Working Party confirmed that the Canadian action was in conformity with the GATT, and bilateral discussions led to a settlement of the dispute and a termination of the U.S. "section 301" investigation.

Recognizing the important changes taking place in the automotive sector, Canadian and U.S. officials met for discussions and agreed to undertake parallel studies of the North American automotive industry. At the request of the Senate Finance Committee, the U.S. International Trade Commission also investigated and submitted a report on the Canada - U.S. Automotive Agreement. Another development in the automotive area was the initiation of a U.S. antidumping investigation with respect to sales of automobiles and trucks from several countries including Canada.

The U.S. Trade Act's liberalization of the eligibility criteria for temporary import relief precipitated a dramatic increase in

the number of U.S. industry petitions for import-restrictive action. As a result of one such petition, the U.S. imposed quantitative restrictions on imports of specialty steels. The Department provided advice and assistance to Canadian exporters with respect to U.S. import relief investigations, as well as U.S. activities in the field of countervail and antidumping.

The Department was active in resolving access problems in the customs and tariff area. It also dealt with problems created by the introduction of regulatory and documentation changes resulting from the continued U.S. emphasis on consumer protection and safety.

Canadian exporters were assisted in maximizing their promotional efforts by concentration on the most suitable U.S. market sectors. These Departmental efforts helped to maintain Canadian export sales in the face of contracting U.S. markets which prevailed for much of the year.

Special attention was given to the U.S. automotive parts market and to the market for mass transit equipment and systems, a Departmental response to the recent formation of the Urban Mass Transit Authority, a U.S. government agency empowered to finance spending by U.S. cities on new mass transit facilities. More traditional Canadian export strengths in the U.S. market in clothing, furniture, recreational equipment, and various foodstuffs were reinforced through participation in regional and national U.S. trade fairs and by the organization of missions of incoming buyers to attend Canadian Trade shows and merchandise marts.

Western Europe

Despite serious downturns in the economies of most Western European countries in 1975, Canada's total exports to them held steady at \$4.6 billion. On the other hand, total imports from Western Europe increased 10 per cent to \$4.1 billion.

Those countries of Western Europe, which are members of the European Community, form the world's largest trading entity. Excluding trade between member countries, the Community accounts for close to 20 per cent of world trade, and the value of its output in goods and services is second only to that of the United States. As a trading partner for Canada, the enlarged Community (now including Britain) ranks second. Canadian exports to the Community increased 10 per cent to \$4.1 billion and Canadian imports from member countries increased by the same percentage to reach \$3.3 billion.

Industrial raw materials and agricultural produce comprise the bulk of Canada's exports to Western Europe; finished manufactured goods make up only about 11 per cent of Canadian sales to this market. Canada's long history of diversified economic relations with Western Europe in terms of investments, intercorporate links

and scientific and technical exchanges, however, form a strong basis on which to pursue a strategy of upgrading Canada's exports to the region as a whole -- especially to the European Community -- and of further diversifying and deepening Canada-Western European relationships generally.

Negotiations with the Community in 1974/75 under GATT Article XXIV:6, following the accession of Britain, Ireland and Denmark to the EEC, gave Canada its first opportunity to improve access for Canadian products to the enlarged community. The multilateral trade negotiations currently provide a major opportunity for improving market access. Canada also began GATT Article XXVIII negotiations with the Community concerning its new tariff rates for lead and zinc which were to come into effect on January 1, 1976. These negotiations ended without agreement being reached, and at the end of the period under review, consideration was being given by Canada to a future course of action in this matter.

The Department participated in 27 trade fairs in Western Europe, exhibiting a wide range of products, largely of a fully manufactured nature. In addition, it sponsored more than a dozen trade missions to and from this area. More than 100 Canadian firms took advantage of PEMD to exploit market opportunities in Western Europe.

Following initiatives first taken in 1974 by Prime Minister Trudeau in meetings with President Ortolí of the Commission of the European Communities, the EC Council of Ministers agreed in 1975 in principle to the negotiation with Canada of a Framework Agreement for commercial and economic co-operation. The first substantive round of these negotiations began in March, 1976.

Meanwhile, Canada and a number of Western European countries as well as the EC Commission, moved forward with a program to foster various forms of industrial co-operation between Canadian and European interests by means of two-way investments; intercorporate links including joint ventures in Canada, in Europe or in third countries; science and technology exchanges; and an expansion and diversification of trade.

Canada also engaged in bilateral consultations with a number of Western European countries and with the EC Commission to review trade and economic matters at a senior level. Meetings with the Commission were held in Ottawa in May and in Brussels in November. The Canada/U.K. Continuing Committee met in Ottawa in October and the Canada/France Economic Commission met in Ottawa in June.

Pursuant to this meeting with France, the Minister of Industry, Trade and Commerce led a mission to France in December, comprising 28 Canadian business people, representing major sectors of Canadian industry. This visit resulted in the establishment of several promising trade and industrial co-operative contracts between Canadian and French firms.

One of the most tangible evidences of closer trade and economic relations between Canada and the EC was the opening in Ottawa of the Mission of the European Communities to Canada, in October, 1975. Arrival of the head of the Mission in February, 1976, coincided with a visit to Canada by President Ortolí who met with the Prime Minister and other members of Cabinet to pursue further the initiatives of their 1974 discussions.

Eastern Europe

Exports to Eastern Europe reached a value of \$653.5 million, an increase of 245 per cent over the previous year. While 79 per cent of exports consisted of grains and oilseeds, the non-grain element increased from \$76.4 million in 1974 to \$135.8 million. Imports, on the other hand, declined by 10 per cent to \$178 million.

The Departmental-sponsored trade development missions led by assistant deputy ministers visited Eastern Europe -- one to Poland, Czechoslovakia and Bulgaria in May and one to Yugoslavia, Hungary and Romania in September. Both missions, which included businessmen representing a variety of industrial sectors, identified a considerable number and range of opportunities to increase exports.

Canada was host to two incoming missions, one from the U.S.S.R. and one from Poland, which were arranged to expose senior officials of those countries to Canadian capabilities in various industry sectors. Financing protocols were signed by the Export Development Corporation and the visiting officials, relating to capital goods exports in the amount of \$500 million to each of the two countries.

Canada and the U.S.S.R. began negotiations for a long-term economic agreement aimed at strengthening trade and economic relations. The agreement will establish a Mixed Commission to deal with future trade developments.

Pacific, Asia and Africa

In 1975, Japan continued to be Canada's second largest, single-country trading partner, with two-way trade reaching approximately \$3.35 billion, of which some \$78.6 million represented Canadian manufactured products.

At a June meeting of the Canada/Japan Ministerial Committee in Tokyo, ministers agreed to pursue a joint approach to economic co-operation. A meeting of officials in November explored a range of potential areas for such co-operation.

The Honourable Don Jamieson led a high-level trade mission to Southeast Asia in March, 1976. In Indonesia, he inaugurated a

\$200 million line of credit from Canada, which had been agreed to during the visit of President Soeharto to Canada the previous year. Some \$110 million has already been informally committed to projects such as cement plants and gas-gathering systems. Mr. Jamieson also visited the Philippines, Malaysia, Thailand and Singapore.

At Manila, the Minister announced Canada's intention to contribute an additional \$78.7 million to the Asia Development Fund and to purchase additional shares of capital stock in the Asian Development Bank. The record of Bank-financed procurement for Canada showed substantial growth in 1975, reaching \$56.2 million, up from \$19.2 million at the end of the previous year.

A Departmental Task Force was created to develop a new and intensive Canadian marketing program in Iran, Iraq and Saudi Arabia. The Saudi Arabian Deputy Minister of Finance headed a mission to Canada to meet Canadian industry representatives. A Memorandum of Understanding establishing a Canada/Saudi Arabia Joint Economic Committee was signed by the Honourable Allan J. MacEachen during his visit to the Middle East in January.

The third annual meeting of the Canada-China Joint Trade Committee was held in Peking. The talks covered a wide range of trade and economic matters. Six trade missions visited the People's Republic of China during 1975/76, dealing with railway technology, geophysical instruments, high voltage transmission, large dam foundation construction, harbour technology and materials handling.

The then Minister of Industry, Trade and Commerce visited the Republic of Korea in June, 1975, to identify areas of new and continuing trade opportunities and to strengthen bilateral trade and economic relations.

On January 26, 1976, a Nuclear Co-operation Agreement was signed with Korea. This completed arrangements for the sale of a CANDU nuclear reactor by AECL which will result in Canadian exports worth approximately \$330 million.

Exports to North Africa and the Middle East continued to expand, reaching \$600 million compared with \$365 million a year earlier. The manufactured goods content of these exports increased to 35 per cent from 25 per cent.

The ADM Export Development led a trade mission to Morocco and Tunisia in April. Government members of the mission also visited Egypt and Libya. To give Canadian products additional exposure, the Department also sponsored trade fair participation in Algeria, Iran, Iraq and Turkey.

The Prime Minister of the Islamic Republic of Pakistan, Zulfikar Ali Bhutto, visited Canada in February, accompanied by a group of officials including the Pakistani Secretary of Commerce, who met

with the ADM, International Trade Relations.

Officers from the Canadian Embassy in Peking, which is responsible for relations with North Vietnam, made three visits to Hanoi during the year. On one of them, they were accompanied by Maurice Strong, President of Petro-Canada. At the invitation of the Vietnam government, they discussed a potential role for Petro-Canada in Vietnamese offshore oil development.

Latin America and the Caribbean

Total Canadian exports to Latin America and the Caribbean maintained the record high levels of 1974/75 reaching \$1.4 billion. Three of Canada's major markets in the region showed substantial increases in purchases from Canada -- Venezuela (\$292 million), Cuba (\$230 million) and Mexico (\$217 million). A sharp drop in Canadian wheat sales to Brazil was not offset by increases in other Canadian exports to that country, but a contract signed at year-end is expected to restore Canada's position in the Brazilian grain market for future years.

Canada's expanding relations with the region were highlighted by the Prime Minister's visit in April to Guyana, Trinidad and Tobago and Barbados -- on his way to the Commonwealth Heads of Government Meeting in Jamaica -- and in January to Mexico, Venezuela and Cuba. During these visits, trade and economic issues were among the subjects discussed. The inaugural meeting of the Canada/Cuba Joint Trade and Economic Committee was held in Ottawa in September under the co-chairmanship of the Honourable Alastair Gillespie and Dr. Carlos Rafael Rodriquez, Vice Prime Minister of Cuba.

As part of Canada's ongoing trade promotion program, 10 of Canada's Trade Commissioners based in Latin America and the Caribbean held a series of seminars across Canada during April. More than 2,500 individual business interviews were completed during the tour and the seminars were attended by some 1,600 businessmen.

A major change in Canada's trade relations with member states of the Caribbean Common Market (CARICOM) took place as a result of their participation in the Lomé Convention with the EEC and their desire to qualify under the U.S. General Preference Tariff Scheme for developing countries. As a result, the CARICOM states terminated preferences for Canadian exports to their markets and introduced a single column CARICOM tariff on January 1, 1976. Negotiations were started between Canadian and CARICOM officials with a view to presenting a new bilateral trade and economic agreement to Ministers for approval.

International Financing

The Department's international financing promotion program continued to assist Canadian exporters to take advantage of export opportunities through the financing facilities of the international development banks, the Export Development Corporation and the Canadian International Development Agency. Overseas project information now is reaching 1,400 Canadian addressees on a regular basis and, in addition, international financing seminars and workshops were being held during the year in Halifax, Moncton, Ottawa, Toronto, Winnipeg, Regina and Vancouver. The Export Development Corporation, which reports to Parliament through the Minister of Industry, Trade and Commerce, reported significant growth in the value of insurance, guarantees and loans extended for the financing of export business. EDC provided loans totalling more than \$1 billion to foreign buyers, to finance the purchase of Canadian goods and services.

Canadian Industrial Co-operation Program

The Department continued to expand and diversify international co-operation with a number of Western European countries, the EC Commission and Japan. Joint ventures, technology agreements, two-way investments and intercorporate linkages were all explored.

The Assistant Deputy Minister, Industry Development, led a group of senior departmental officials to Europe for discussions with the EC Commission and officials of Britain, the Federal Republic of Germany, Italy, Denmark, Sweden, Norway and Finland. The opportunities thereby uncovered have been assessed and drawn to the attention of Canadian firms.

A number of promising opportunities for industrial co-operation with France were identified at meetings of the Canada/France Industry Working Group and recognized by the Canadian Minister and the French Minister of Foreign Trade at the June meeting of the Canada/France Economic Commission.

The then Minister of Industry, Trade and Commerce led a Trade and Industry Development Mission to France in December to explore these opportunities further. The mission emphasized possibilities for co-operation in third countries. The next Industry Working Group meeting was planned for the summer of 1976 and Canada invited a return French Ministerial Mission in the same year.

A senior Canadian government economic co-operation delegation visited Japan in November and identified a number of promising areas for industrial co-operation. They included the fields of forest products, coal, energy, automobiles, aerospace and electronics. The Japanese were advised of our assessment of these opportunities and the next stage will depend on the response of the Japanese government and industry to the Canadian conclusions.

Grains and Oilseeds

All phases of the Canadian grains and oilseeds industry have been strongly influenced by the dramatic changes occurring in the international environment. Sharp fluctuations occurred in market conditions and prices, and in sharply increased costs of energy, fertilizer and labour.

The Department's primary objective in its Grain Program is to ensure a sustained market growth in an orderly marketing system. Major initiatives within the program included provision of credit to facilitate sales to developing countries, assistance under the Grains and Oilseeds Marketing Incentives Program (GOMI), stabilization of producer income, and the subsidization of domestic consumers.

The GOMI Program encourages increased use of Canadian grains and oilseeds by developing markets for traditional commodities and by promoting value-added processing of these crops into protein, oil and starch components for the animal feed and food product industries. Including the current year, 45 projects valued at \$7.4 million have been approved to date.

Exports of grains, oilseeds, and their products exceeded 700 million bushels (18.1 million tons) in 1975-76.

Due to strong market demand, which led to rapid expansion of delivery quotas, interest payments under the Prairie Grain Advance Payments Act were relatively small (\$1,011,239). Payments under the Two Price Wheat Act, which reduced the price of wheat to Canadian consumers to \$3.25 a bushel, were \$195 million. This amount included an unpaid balance owing from the previous year.

The Rapeseed Association of Canada received a \$300,000 annual grant through the Rapeseed Utilization Assistance Program for research and development of rapeseed varieties and products to increase rapeseed use. Administered by the Association, the program is guided by a research committee of which the Grain Marketing Office is a member.

Resource Industries

The Department has entered into an agreement with the British Columbia Department of Economic Development and the Council of Forest Industries of British Columbia to share in a second five-year program of co-operative overseas market development. The new \$17 million project is aimed at improving market access for Canadian lumber and plywood in Japan and Europe. The first five-year program made considerable progress in this direction, winning official Japanese acceptance of the Canadian system of platform-frame house construction and standard Canadian lumber grades and sizes.

In keeping with the objective to identify and develop new markets, an officer of the Department undertook a study tour of selected countries in North Africa and the Middle East. A report is being prepared for distribution to appropriate industry sectors.

Under Department sponsorship, Japanese, German, Mexican, Korean, and Finnish business and government officials visited Canadian coal-mining operations to investigate the possibilities of supplies for their new steel industries and power plants. During 1975, Canada made coal shipments to seven countries, for a total value of \$477 million.

A Non-Ferrous Metals Mission from the EEC came to Canada in September to explore possibilities of industrial co-operation in non-ferrous metals. It examined Canadian policies affecting taxes, foreign investment and upgrading resources and discussed Canadian suggestions for the reduction of tariff barriers and for greater European participation in Canadian resource development.

The Department led a Canadian delegation to copper talks sponsored by UNCTAD in March. The meeting was called to consider uniting the copper-producing and consuming countries in the hope of stabilizing copper prices. The Canadian delegation favoured a study group approach, similar to the Lead-Zinc Study Group, rather than an international commodity agreement.

Electrical and Electronics Products

The Department participated in international electrical standardization activities with the object of strengthening response to international standards proposals and was the host of the first meeting of the International Electrotechnical Commission's working group on quality assurance, in Ottawa. The Department continued to negotiate with the Canadian Standards Association and with testing station authorities in France and Germany on a proposed plan to provide pre-export testing and certification for Canadian exporters of electrical goods.

The effect of international trade groups and country pacts is being closely watched for the expected tariff and trade implications that may be generated when telecommunications groups in other countries become fully effective. Several Canadian companies have already established joint ventures or subsidiaries in the EEC, South America and the Middle East.

DOMESTIC ENVIRONMENT

The Department continued to contribute to Canadian industrial development and committed increased resources to this activity during the year.

Assessments and evaluations are being made of the status and prospects of each industrial sector. To date, seven consultative committees have been established, each including up to 12 senior executive officers of the industry concerned. Committees have been set up for the Chemical, Machinery, Electrical and Electronics, Iron and Steel, Furniture, Construction and Forest Product industries.

Their function is to review developments in the industry they represent and ensure the Government is fully informed about them, to serve as a forum through which federal departments can test policy initiatives, and to assist them in communicating government policies to industry.

In addition, five special committees have been set up to provide advice on sector opportunities and restraints and to evaluate current and future prospects for the sector. Provision has also been made for more formal consultations with provincial governments and labour at the development stage of industrial strategy.

Pulp, Paper and Wood Products

Demand for pulp, paper and wood products declined in 1975 as a result of worldwide economic recession. As well, the forest industries suffered the most severe series of labour strikes in their history. As a result, shipments and exports of pulp and paper both decreased by 25 per cent from the previous year. Lumber shipments declined by 13 per cent and exports by 21 per cent.

Shipments of pulp and paper amounted to 16.7 million tons, valued at approximately \$5 billion. Thirteen million tons were exported. Estimated capital expenditures by the industry on water pollution abatement were \$96 million, and, on air pollution, \$20 million.

Shipments of lumber amounted to 11.6 billion board feet of which 6.5 billion were exported. Shipments of softwood plywood were two billion square feet of which 0.3 billion were exported.

The Forest Industries Development Committee has been active since its founding in 1974. It has become the focus for a number of federal/provincial discussions on taxation, a resource data base for industry development prospects, and an agency for liaison on both short-term and continuing problems.

Iron and Steel

Following the general decline in world steel demand, special efforts were initiated to achieve new market penetration for steel products such as bar, pipe and tube, stainless and specialty steels. A consultative committee comprising senior steel company executives was formed on the invitation of the Minister and met with senior Departmental officials in Ottawa to discuss the present state of and future developments in the industry.

Considerable assistance was provided officials in Saskatchewan and Nova Scotia in their efforts to develop steel mills, and to the Department of Regional Economic Expansion (DREE) and the Foreign Investment Review Agency, in connection with developments in the steel industry.

Non-ferrous Metals

The economic downturn continued to adversely affect the non-ferrous metals industry throughout 1975. Prices of some metals, notably copper, dropped significantly against a trend of rising production costs. Further erosion of the industry's profits resulted from the conflict between federal and provincial governments over their respective rights to tax resource industries. These events had a markedly negative affect on the industry's exploration and development activity.

Metal manufacturing companies continue to form associations aimed at mutual problem-solving. The Canadian Heat Exchanger and Vessel Manufacturers Association has developed a market data generation program. Members of the investment (lost wax) casting industry are in the process of forming the Investment Casting Association of Canada and members of the metal die casting industry formed a steering committee to investigate the establishment of an association.

Three Departmental publications were favourably received by the industry. They are "Die Casting in Canada," "Canadian Non-Ferrous Forging Industry," and "Seller's Directory of the Canadian Metals Industry."

With encouragement from the Department, the first Canadian manufacturer of bone china started production in the Toronto area. The Department is actively encouraging the establishment of other ceramic tableware plants in order to replace the current high level of imports. A tour of ceramic plants in Europe uncovered several companies anxious to provide technology for interested partners in Canada.

Another development in the ceramic field resulted from close co-operation with DREE. A large new basic refractories plant is now under construction in Quebec and is expected to come on stream in 1977.

Textiles

Activity in the textile industry continued at an unsatisfactory level during the first three months of 1975, with idle capacity, short work-weeks, and layoffs prevalent throughout the industry. Conditions began to improve in the second quarter, however, and the improvement continued throughout the year, with many firms returning to three-shift operation by year-end.

The reduced Canadian textile market, coupled with an increasing volume of imports from low-cost areas in late 1974, resulted in a series of urgent studies by the Textile and Clothing Board. In the case of four fabrics -- worsted, filament polyester, double and warp knits, and nylon -- injury or threat of injury was recognized and restraint measures were recommended.

The Chemical Industry

Demand for most chemical products, which began to fall during 1974/75, dropped even further in the first half of 1975/76. Surplus capacity existed throughout the year for almost all chemical products. An improvement in demand began in the latter months of 1975, however, in nearly all sectors, with the significant exception of fertilizers. Buyer resistance to substantially higher price levels for this commodity left producers with increasing inventories, in contrast to the shortages of the previous two years.

There was a high level of activity in the construction of new plants, particularly for petrochemicals, but until these come into operation in 1978, there remains the risk of shortages developing as demand improves. New fertilizer capacity under construction in Western Canada should ensure adequate supplies over the next 10 years.

The Department completed a survey of 1,400 Canadian plastic manufacturing establishments, with the assistance of provincial governments, and a report to the participants is being prepared for publication. A number of sub-studies on the industry, covering such subjects as trade, competitive position, technology, and market outlook, are in progress.

The Department continued to support the operations of the Sulphur Development Institute of Canada (SUDIC) in its search for new uses for sulphur. Project activities were expanded in the areas of insulation, asphalt and concrete work, and another begun in the field of protective coatings.

Nuclear Equipment

The Department, in association with Atomic Energy of Canada Limited and the Department of Energy, Mines and Resources, completed a study of the Canadian nuclear equipment industry. It contains an analysis of Canadian manufacturing and engineering industry capability to meet projected requirements of the CANDU nuclear power plant construction for the domestic and export markets to 1983.

Electricity and Electronics

The Department is making a critical appraisal of the structure and future of the electronics industry, in the context of competition for world markets.

It is also seeking to enhance the capability of Canadian firms to supply major civilian and military products to government users, either by direct development or by obtaining licences to manufacture. Major customers are currently the Department of National Defence and the Ministry of Transport. Programs include the provision of long-range patrol aircraft, radar surveillance and the joint en-route/terminal system for air traffic control.

Ocean technology has become more important in recent years. Improved fish-finding equipment, weather and sea environmental reporting systems, communications and data processing equipment have become important. Development programs for ocean data systems, improved fishing sonar, and satellite navigation and positioning equipment are receiving increased support from the Department.

There is a growing market for computer terminals and a number of Canadian companies have established themselves in this field. Banking, insurance, retailing, manufacturing and communications all use computer terminals.

Transportation Industries

The Government's purchase of de Havilland Aircraft of Canada, Limited, in 1974, and of Canadair Limited in January, 1976, represented a step in the implementation of a strategy for restructuring a major portion of Canada's aerospace industry. The Twin Otter, the Super Buffalo, and the Dash 7 from de Havilland, plus the CL-125 amphibian from Canadair, have particularly strong sales potential.

Government policy in natural resource development is to encourage Canadian firms to develop internationally competitive capability that will also be of significant long-term economic benefit to Canada. Its Advisory Committee on Industrial Benefits from Natural Resource Development has considered projects with a total value of almost \$1 billion and encouraged Canadians to increase

their participation in this business. Many engineers and equipment suppliers have for the first time been given the opportunity to bid on Canadian projects that would normally go to foreign-based companies.

During 1975, Canadian shipyards built and launched 61 vessels, totalling 248,000 gross tons. Thirty-one vessels, totalling 288,000 gross tons are now under construction, and a further 47 vessels or 512,000 gross tons are on order. Among interesting vessels begun during the year is the world's first commercial Arctic Class ice-breaking bulk carrier.

The collapse of the market for very large crude carriers may have an indirect effect on Canadian shipbuilding, since vessels under 100,000 dwt are again being ordered, and ships of this size are within Canada's of capability.

The rapidly burgeoning ocean industry is a market the Department and the industry in Canada are watching carefully. The major market is related to oil and gas resources off the shores of about 60 countries. The industry in this country is in the unusual position of having to develop its technological capabilities in the international market while waiting for a domestic market to develop. Canada has not yet found significant quantities of easily exploitable offshore oil and gas, and the domestic market is therefore small.

The world market for equipment and materials related to offshore exploration is forecast at \$3,500 million for the period 1975-81. If Canada could capture one per cent of this market, it would amount to \$350 million of exports. Therefore, international marketing efforts by the Department are critical to the growth of the Canadian ocean industry. To overlook it would be to leave a vacuum in the domestic market to be filled by foreign firms at a later date.

Design

The Department's Industrial Design Assistance Program (IDAP) has produced the close liaison with industry and provincial departments of industry and commerce visualized at its beginning and increased the interest in industrial design throughout Canada. During the year, 36 applications for design assistance were received. A total of \$490,000 was awarded in grants to cover up to half the design and administrative costs of approved projects.

Product design and development programs were supported by the Department in four provinces by grants totalling \$165,000.

The Office of Design assisted the Society of the Plastics Industry annual conference in organizing a "product hatchery."

More than 150 product development managers, design engineers, material specialists and marketing managers from Canadian firms got together in workshop sessions with seven top-flight Canadian industrial designers to exchange ideas and approaches to the design of new plastic products and the improvement of existing ones.

Design capability programs, directed to Canadian students, were continued. During the year, 21 "Design Canada" scholarships totalling \$109,625 were awarded for advanced design studies in international schools. The Design Internship program again placed several newly graduated designers into industry. This program pays half of the intern's salary for one year, with a maximum contribution of \$3,000. Grants for courses in design management and industrial design, awarded to Canadian universities and colleges offering them, totalled some \$100,000.

This year the Department launched a Governor General's Award for Engineering Design to recognize the design achievements of Canadian engineers, resident and practising in Canada. The first awards were presented at Government House on Oct. 2, 1975.

Picker X-Ray Manufacturing Ltd., Bramalea, Ont., and its design team won the Award of Excellence for the design of a product named "Tomolex." Designers were C. K. Bridgeman, P.Eng., APEO; John W. Eckart, Suki Kooner, Assoc. P.Eng., APEO; Chris Lutz, P. Eng., APEO; Peter Neysmith, Assoc. P. Eng., APEO; Les Sill, Engineering Associate; and Don Wilson, Industrial Designer.

Six Awards of Merit went to the Pulp and Paper Institute of Canada, Point Claire, Qué.; Hauptmann, Green & Associates, Inc., North Vancouver; SED Systems Limited, Saskatoon, Sask.; Proctor and Redfern Group, Toronto; Hiram Walker & Sons Limited, Walkerville, Ont.; and Ritter Engineering Limited, Calgary.

Regional Offices

The regional offices continued their traditional role of assisting active and potential exporters with the planning and implementation of marketing strategy, and took on new responsibilities during the year. Decentralization of the PAIT program, along with administration of PEP and IDAP, within defined financial limits, required intensive training in all regional offices.

Regional offices sponsored seminars and conferences in the areas of licensing, patents, joint ventures, international trade, and tourism. They also helped to co-ordinate the programs of incoming missions in their respective territories.

With the development of sectoral strategies by the Department and closer Federal-Provincial co-operation in areas such as multinational tariff negotiations and trade development, the

regional offices began playing an increasing role in Federal-Provincial relations.

The Minister authorized opening of a regional office in Prince Edward Island thus giving the Department direct representation in all provinces.

Publications

Canada Courier, the Department's 200,000-circulation tabloid newspaper that is distributed to foreign buyers, received a record number of inquiries about the Canadian goods and services it described: 18,247 (January to November) compared with 15,452 the previous year. Twenty-five issues were published in six editions, varying according to the market area served: International, United States, French, Spanish, German and Japanese.

Canada Commerce, the Department's 25,000-circulation magazine, continued to provide Canadian exporters with in-depth reports on trading opportunities abroad and drew attention to Canadian companies, large and small, which had successfully competed in international markets. The magazine has both English and French editions.

TOURISM

Canada's tourism picture in 1975 was a study in contradictions. It produced record revenues of \$8.5 billion, equal to 5.5 per cent of the GNP and made tourism the country's fourth largest earner of foreign exchange after autos and auto parts, crude petroleum and wheat. And yet it produced a deficit on international travel account of \$727 million -- the largest deficit ever recorded.

International travel receipts rose to a new high of \$1.8 billion during the year, up from \$1.7 billion in 1974, and yet visitors from the United States declined by some 600,000 -- a drop of 1.7 per cent. Revenues from this source, however, were up by about \$9 million to \$1,377 million.

Visitors to Canada from countries other than the United States reached an all-time high of 1.3 million, up by about 108,300 or 8.9 per cent over 1974. They spent about \$478 million while they were here, making total income from non-resident visitors to Canada some \$1,815 million.

Canadian travel expenditures in the United States, however, increased by 32.7 per cent over the previous year, reaching a total of \$1,587 million and leaving a deficit in the bilateral balance of payments on travel account of \$250 million. With all other countries, Canada had a travel deficit of \$477 million.

The bulk of Canada's tourist income was derived from Canadians travelling in their own country, who spent approximately \$6.7 billion in 1975, up an estimated 17.5 per cent over 1974.

The Canadian Government Office of Tourism operated on a 1975/76 budget of \$21,938,270, with a staff of 372, including personnel operating 26 offices in eight countries. The Tourist Program was carried out through an integrated program embracing marketing, selective industry development, and a supportive policy planning and industry relations activity.

CGOT's marketing budget was \$16.9 million. Of this, \$8.5 million was spent on direct mail and advertising, and \$635,000 on special exhibits and promotions. The communications program was aimed not only at stimulating awareness of and interest in Canada, but at encouraging travellers, whether domestic or foreign, to utilize commercial modes of transportation

The direct mail activity was closely integrated with the advertising program. During the year, the outbound volume of direct mail was deliberately cut back from 9.5 million to 7.5 million letters yet achieved an overall increase in response of 2 per cent. Approximately 40 million pieces of printed travel literature in 16 languages were distributed through CGOT field offices and via direct mail.

Editorial material, including 140 travel features, was sent to almost 3,000 travel editors, outdoor editors, and other media representatives in Canada, the United States and overseas. Twenty thousand prints of 115 travel film titles were circulated. In the United States alone, Canadian travel films were seen by more than 270 million viewers through television and direct screenings.

Close to 400 media guests from all over the world were brought to Canada under the auspices of CGOT's Visit Canada Program (Media). Special exhibits depicting vacation attractions in Canada were set up at 75 seminars, exhibitions, conventions and other meetings in Canada, the United States and overseas.

The Department continued to integrate the activities of CGOT offices abroad more closely with the responsibilities of embassies and consulates. The office in Cincinnati was closed to utilize resources more effectively, coverage of that area being maintained from Cleveland and Detroit. An office was opened in Dallas to take advantage of new services to Canada authorized by the recently signed Canada/United States bilateral air agreement.

During 1975, CGOT operated 87 cross-Canada familiarization tours for 1,700 travel agents (compared with 25 trips for 500 agents in 1974) under a new concept called the Product Testing Tour. It also launched a new Tour Development Program to encourage the production of new package tours for travel to and within Canada, particularly in "shoulder" seasons and to areas with surplus

tourism capacity. When the new program was announced, 52 applications were promptly submitted. Virtually every category of the travel industry, from carrier to tour wholesaler, from a province to a group of provinces submitted and received approval of projects.

In total, 22 approved applicants shared \$350,000 in assistance and contributed a similar amount to introduce more than 100 new tours, covering every region of Canada. Sales to date indicate that some \$4 million in new tourism revenue will be generated in the Tour Development Programs's first year of operation.

Internationally, Canada continued its selective participation in international tourism relations. The Assistant Deputy Minister, Tourism, served as chairman of the Canada-Cuba Bilateral Tourism Committee and addressed a meeting of the World Tourism Organization in Istanbul. Canada's delegate continued as vice-chairman of the Tourism Committee of the Organization for Economic Co-operation and Development.

In June, two technical seminars on "Domestic Tourism" and "Testing The Effective of Promotional Campaigns in International Travel Marketing" were held in Ottawa sponsored jointly by CGOT and WTO/IUOTO.

In addition to taking part in the ASTA World Travel Congress at Rio de Janeiro, CGOT participated in a joint seminar in Manila, P.I., on air transportation and tourism sponsored by the International Air Transport Organization and the World Tourism Organization.

Federal-provincial and industry collaboration in tourism intensified in 1975. CGOT participated in a series of regional marketing meetings, as well as in the Conference of Canadian Tourism Officials in September and the 30th Federal-Provincial Conference on Tourism in October.

A highlight of the latter meeting was the launching, by the Honourable Don Jamieson, conference chairman, of the Travel Industry Awareness Program, a joint initiative of CGOT and the Travel Industry Association to promote a greater awareness of the importance of tourism to Canada and Canadians.

CGOT expanded its representation of regional officers across Canada by opening an office in Halifax to serve Nova Scotia and Newfoundland-Labrador. Other regional offices operate in Vancouver, Edmonton, Regina and Québec City. The opening of a Toronto office was planned for late 1976.

Government expenditure restraints, part of the attack on inflation resulted in cutbacks of \$3.5 million and 28 man-years in the Tourism Program, with the termination of the Travel Industry Development Program begun in 1972. As a result, CGOT restructured its organization. In March, 1976, CGOT's three branches were reorganized into the Marketing Branch and the

Policy Planning and Industry Relations Branch, each headed by a General Director. The Marketing Branch now comprises all the functions related to improvement of the "travel product", market development and promotion through mass communication, while planning and research become the responsibility of Policy Planning and Industry Relations Branch.

As part of the reorganization, the general managers of marketing operations in the Eastern United States, Western United States and the Pacific, and in Europe will be re-located in Ottawa. Regional representatives across Canada have also been integrated into the Marketing Branch.

Industry, Trade and Commerce

Statement of Expenditures

For The Fiscal Year 1975-76

\$
('000)

Trade Industrial Program

Operating Expenditures 75,058

Grants and Contributions

-Industrial Research and Development Incentives Act	33,018	
-Program for the Advancement of Industrial Technology	26,900	
-Defence Industry Productivity Program	39,000	
-Program to Enhance Productivity	500	
-Program for Export Market Development	4,245	
-Capital subsidies for the construction of commercial and fishing vessels	58,000	
-Industrial Design Assistance Program	400	
-Miscellaneous	10,774	172,837

Loans and Investments

-Loans to assist manufacturers of Automotive Products in Canada	265	
-Loans to assist Defence Manufacturers with Defence Plant Modernization	5,938	
-Loans under the Footwear and Tanning Industries Adjustment Program	1,152	
-Loans to Canadair for the financing of water bombers	12,938	
-Investment for the purchase of shares of capital stock of the de Havilland Aircraft of Canada Ltd.	9,977	
-Investment for the purchase of shares and notes of Canadair Limited	36,650	66,920
		<u>314,815</u>

Tourism Program

Operating Expenditures	20,237
Grants and Contributions	<u>1,096</u> <u>21,333</u>

Grains Program

Operating Expenditures	2,539
Grants and Contributions	
-Credit Wheat Sales	9,667
-Payment to the Canadian Wheat Board to cover carrying charges on reserve stocks of feed grain	3,215
-Payment to the Canadian Wheat Board for the purchase of covered grain hopper cars	40,639
-Prairie Grain Advance Payment Act	1,011
-Two Price Wheat	188,698
-Other	2,540
	<u>245,770</u>
Total Department	<u>248,309</u> <u>584,457</u>

INDUSTRY, TRADE AND COMMERCE

Statement of Revenue

For the Year Ended March 31, 1976

Return on Investments

Interest on loans to Export Development Corporation	\$59,139
Interest on loans to assist manufacturers of automotive products	1,376
Interest on loans to assist the pharmaceutical industry	72
Interest on loans to assist the footwear and tanning industries	69
Sundry	962
Miscellaneous Revenue	3,154

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Government
Publications

ANNUAL REPORT 1976-1977



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of Canada

Gouvernement
du Canada

Industry, Trade
and Commerce

Industrie
et Commerce

Department of Industry, Trade and Commerce

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1976-77



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OTTAWA

The Honourable Jack H. Horner
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual report of the Department of Industry, Trade and Commerce covering activities during the period April 1, 1976 to March 31, 1977.

Respectfully submitted



G. F. Osbaldeston
Deputy Minister

OTTAWA

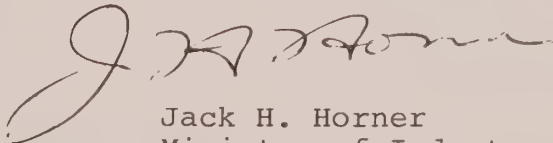
To His Excellency
The Right Honourable Jules Léger, C.C.,
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency the annual report for the Department of Industry, Trade and Commerce covering the period April 1, 1976 to March 31, 1977.

A summary of the Department's policies, activities and services rendered is laid before Your Excellency.

Respectfully submitted



Jack H. Horner
Minister of Industry,
Trade and Commerce

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INTRODUCTION

Governments throughout the world were mainly preoccupied during the year with the economic situation and its implications for domestic employment, inflation and economic recovery. Rising energy costs placed heavy balance of payments burdens on both developing and developed economies, and policy makers were focusing their attention on ways to achieve an upturn in economic activity without runaway inflation.

International discussions at several levels, including heads of governments, were aimed at re-establishing confidence and formulating broad plans of action. However, in spite of those efforts, the economic situation continued to be serious, and governments everywhere were faced with increasing protectionism both at home and abroad.

After the U.S. presidential election, meetings between the U.S. Secretary of Commerce and the Minister of this Department, followed by the Prime Minister's visit to Washington and other inter-governmental meetings, provided opportunities for discussion of trade matters, and helped toward a further improvement of relations between the two countries.

Two-way trade between Canada and the United States reached a new record level of more than \$50 billion during the year; Canada held a slight advantage, with its exports accounting for a little more than half of that amount.

A sector that is giving some cause for concern, however, is tourism. For the first year on record, more Canadians visited the United States than Americans visited Canada. This country's deficit on travel account in the international balance of payments rose to a new high of \$1.2 billion in 1976-77, with a little more than half of that amount incurred in Canada's exchange of travel with the United States.

Canadian exports to Western Europe showed a slight increase, exceeding imports by about \$1 billion. Good as the figures are, co-operation between Canada and Western Europe is still far below its potential with respect to investment, intercorporate links and technological exchanges.

Trade with Eastern Europe set another record, with exports from Canada coming close to the \$1 billion mark. Canada and the U.S.S.R. signed a long-term agreement as a framework for expanding and diversifying trade between the two.

Japan continued as the second largest trading nation for Canada. More than half of this two-way trade of \$4 billion comprised Canadian exports. Canada continued to make other gains in Asian markets, and extended its trade agreement with The People's Republic of China for three more years.

Despite the drop in world sugar prices, Canada was able to increase exports to Cuba and Central America. Exports to South America and Mexico were a record, passing \$1 billion in value, and Canada secured some substantial contracts there involving specialized technology and equipment.

While there have been some favourable trends in Canadian trade, international competition is growing stronger. Canadian industry has been looking for ways to develop, and for opportunities to replace some of this country's imports with goods made in Canada. The Department has encouraged this trend with its analyses of imports and surveys of market opportunities.

Further, to adjust to changing economic conditions, the Department continued its re-assessment of priorities, its studies on the impact of assistance programs and parallel studies directed toward improving its interface with business and industry.

PRODUCT INNOVATION

Under PAIT, a program to encourage the development of new products and processes among Canadian manufacturers by paying up to half the cost of selected projects, regions approved 48 of the 112 new submissions -- all for companies with less than \$2 million annual sales. Projects came from every province with increasing numbers from the Atlantic and the Western provinces.

One new venture dealt with generating energy by solar and wind power. Almost half the completed PAIT projects were considered successful, producing sales worth more than \$300 million mainly in export markets.

In the ocean industries, some notable achievements supported by PAIT included a manifold centre that gathers crude oil flows from several wells in subsea operations, and the TAURUS submersible vehicle for operations, inspection and exploration in offshore oilfields. A program started with PAIT help is intended to build and market a 500-metre depth diver saturation complex, with a personnel transfer capsule, decompression facilities, and control and handling systems. Yet another development is a streamlined fairing that enables drill pipe to resist the pull of currents encountered, for example, in rivers and gulfs.

In the railway sector, PAIT has assisted in the development of a high-speed tamping machine for mainline track maintenance, which works 10 to 12 times faster than conventional tampers. A 20-ton capacity, self-propelled crane, now being tested by CN and CP Rail, has added yet another dimension to Canadian manufacture.

In response to market opportunities, Canadian firms in the urban transportation field have developed or improved products as diverse as traffic control systems, solid-state propulsion control and driver-training simulators. A bus seat, given support by the Department's Industrial Design Assistance Program (IDAP), has so far secured \$2 million in export orders, and has upgraded the firm's technology in the process. A new streetcar and an urban transit test facility are two more of the interesting projects underway.

Another urban transit achievement is a new 30-foot bus for lower volume routes or airport shuttle service. The design has some features that were found only on European buses and combines them with proven North American components.

An all-terrain, firefighting vehicle, with a foam system for combating aircraft fires, has now reached the prototype stage and orders are starting to come in -- the first being from an African country for three units.

Innovation assistance to Canadian firms is helping toward lighter and more fuel-efficient vehicles with such products as aluminum bumpers and more effective pulley designs.

In the aircraft sector, the development of Trigull, a new light amphibian, is now completed and it has obtained an MOT certificate. Series production will follow.

The Department continues to support telecommunications equipment manufacturers in developing electronic circuitry, special telephone system products, micro-circuitry, rural telephone systems and fibre optics communications systems. Colour visual displays for supervisory control, avionics, instrumentation and process control are other areas where the Department helps to meet the high costs of product innovation.

New technological developments in the machinery sector, with assistance from the Department's incentive programs, included continued development of a two-shafted industrial gas turbine in the 30,000 hp range, with improved thermal efficiency; a new automatic machine to produce large grinding wheels for the automotive industry and bearing manufacturers, which replaces a manual operation; and a compact combine harvester with greater capability than many larger machines and the promise of better efficiency by reducing grain losses in harvesting.

Some of the successfully assisted projects in the iron and steel industry were special pipe for Arctic pipelines, one-sided galvanizing of sheet steel to help prevent rust on motor vehicles, a new scrap process, a "coil box" process to improve production in a hot-strip mill, large diameter hydraulic cylinders, new imbedded tire chains for earth-moving tires, a new design for transmission towers, an unusual sheet-metal pallet without welds that can be shipped unassembled, a new process for very large, high-volume, permanent-mould iron castings, and a new process for seamless high-alloy and titanium pipe fittings which combines extrusion and forging.

In non-ferrous metals, the Department's programs helped toward a new hydro-metallurgic process for zinc concentrates, the hydraulic transportation of ore to the mine head, production of metal strip by powder metallurgy, and optimization of hydro-electric power generation for aluminum production.

The Department is seeking a way to help product innovation by studying the role that government can play in improving the environment for invention, and in providing more direct assistance to the private inventor. It has also continued its financial assistance to the Copyrights, Inventions and Patents Association of Canada.

MARKET DEVELOPMENT

Increasing international competition in world trade is showing how useful the Department's import analyses and market surveys are to Canadian industry. These are designed to find opportunities for possible import replacement and further industrial development in Canada.

Of the 192 requests for the surveys received this year, 118 concerned industrial development and expansion, 42 were required for use in industrial promotion, and the remainder were for monitoring the effects of imports on Canadian industry. The subjects included machinery, chemicals, metal and metal products, wood, rubber and plastic products, and textiles.

It is difficult to measure the impact of the Department's reports accurately, but with the help of this input into the decision-making process, five new manufacturing firms have been set up, some 35 firms are in various stages of development, and others are awaiting finalization of their financial arrangements. These developments represent a reported investment of about \$120 million and some 3,600 new jobs, not to mention the layoffs they may have averted.

Consortia

Factors that have inhibited growth in the transportation industries, among others, have included fragmentation of the domestic market, lack of effective systems leadership in the approach to foreign markets, and the reluctance of some foreign companies to allocate development responsibilities to their Canadian subsidiaries. The Department encourages the formation of export consortia to overcome such problems.

In the resource industries, Department assistance and advice to five lumber producers in Eastern Canada led to the formation of an export consortium called "Seabex". The first housing consortium, known as "Homexpo Canada" and incorporated in 1975, has made recent inroads in the Middle East. The Department is currently working with Nova Scotia and Manitoba to form consortia in those provinces.

Joint Ventures and Turnkey Projects

The Department's main activities in the area of joint ventures have been to analyze joint venture investment, provide assistance to a number of companies in researching specific opportunities, advise on investment abroad, and establish contact with other areas of Canadian expertise.

In the past year, an international tender for the Venezuelan railway project led to the formation of a joint Canadian-Spanish consortium that will undertake the project on a negotiated basis. Canada will supply most of the equipment, design and engineering services. In view of the many risks and uncertainties, both political and commercial, confronting the Canadian group, the Canadian government's input has been extensive and included ministerial participation in the Canada-Venezuela-Spain negotiations. This is the largest single PEMD project ever approved and amounted to \$480,000.

In the second Venezuelan project, the Caracas subway which also received PEMD assistance, the Centre for Joint Ventures and Turnkey Projects has been studying the risk aspects in close association with the insurance industry, and the problem is now understood. Proposals for new initiatives, both in government and the private sector, have not been submitted.

The work of the Centre has clearly shown the close connection between joint ventures and turnkey projects, and their relation to capital and other overseas projects.

Capital Projects Branch

The Department has made this Branch the central agency in the development of a broad range of capital project business; also for the consulting and technical service industries, whose activities generally lead to capital projects or equipment sales at a later stage. Among the professions involved are engineering consultants, architects, surveyors, agronomists and economists.

Canadian engineering firms were assisted by the Branch in the establishment of primary and secondary industry in developing countries, with marked success in such countries as Iran, Nigeria and India. Plants, including those for ore processing, cement, zinc refining, and pulp and paper, have brought equipment orders to Canada, with the prospect of more to come.

Urban and rural development have provided a continued export market through pre-feasibility studies, master plan design and project management contracts won by Canadian consultants. The Department helped in achieving many of these successes. Follow-on orders are expected from a number of them. In addition, Canada won some complete projects, such as the multi-million dollar contract for supplying semi-mobile schools in the Middle East.

Export Programs and Services

The Office of Export Programs and Services is responsible for the operation of two of the Department's export incentive programs -- the Promotional Projects Program (PPP) and the Program for Export Market Development (PEMD). The first involves Canadian participation in trade fairs, trade missions and in-store promotions initiated and carried out by the Department. The second helps to develop and sustain exports of goods and services by supporting activities initiated by industry.

In 1976-77, PPP helped 794 companies to participate in 61 foreign international trade fairs in 26 countries. Altogether 24 missions took 166 Canadian businessmen to 37 countries, and 28 incoming missions brought 228 foreign businessmen to Canada. A further 951 foreign buyers visited Canadian suppliers. In addition, 16 technical trainees were brought to Canada.

The total Department investment in PPP was \$3.6 million, leading to more than \$116 million in sales, reported or anticipated, according to the initial returns.

Through its PEMD operations, the Department provided \$4.9 million in repayable contributions to companies to share in their costs of developing export business -- a 55 per cent increase over the previous year. The full costs might otherwise have discouraged the companies from seeking foreign sales. In 1976-77, the Department received 1,168 PEMD applications. Companies reported export sales of \$375 million resulting from the program.

The most active sectors among PEMD projects were commercial and institutional buildings, industrial plants, transportation and resources; and the most active areas were Latin America and the Middle East, with Asia and Africa next.

As an illustration of the type of project the program has been able to assist, some of Canada's manufacturing industries were able to send representatives to Europe, Eastern European countries, Latin America, East Asia, Middle East, etc.; some came back with contracts, and a number of them found promising possibilities for equipment made in Canada. Some of these companies could not have financed these trips without this aid.

The following few specific examples will highlight the above:

1. A pulp and paper mill project in Poland generated export sales of \$80 million.
2. Expansion of the Indonesian state coal mining company resulted in export sales of \$11 million.
3. Construction of an airport in Saudi Arabia generated export sales of \$50 million.

New initiatives included attempts to improve Canada's percentage of world markets in transportation, power and telecommunications, with special attention to projects financed by the international lending banks.

Since PEMD's inception in 1971, it has processed 7,041 applications for assistance, worth \$14 million, and has received reports of \$640 million in export sales being generated.

Other Development Programs

In addition to the programs mentioned, the Department offers adjustment assistance to manufacturers for restructuring their operations. This is intended to improve significantly their ability to meet international trade competition, or to take advantage of new opportunities for producing goods that will face strong international competition. The instrument for this is the General Adjustment Assistance Program (GAAP) which insures loans made by private lending institutions to manufacturers.

The program has helped a Canadian clothing manufacturer to expand sales from \$5 million to \$22 million a year by giving it access to working capital. Also, a manufacturer of large cranes, needing financial help to complete several large projects and alter its product mix, obtained financing through GAAP. The restructuring succeeded and the company has repaid the financing.

In 1976-77, loan insurance totalling nearly \$60 million was provided for 26 companies which could not have obtained the loans otherwise.

Another program with international implications is the Defence Industry Productivity Program (DIP). This program has enhanced Canada's growing role in high technology in electronics, avionics and specialty vehicles, as well as in computer software communication and signal processing.

With the emergence of closer international co-operation in the development of such products and in view of the benefits arising from the technological developments, the Department is putting more effort into co-ordinating its industrial assistance for exploitation of the export potential, and with excellent results. DIP assisted 74 projects related to 56 companies in 1976-77, with a total expenditure of \$44.9 million.

In yet another area, the Department's main contribution to market development is the Agricultural and Food Products Market Development Assistance Program (AGMAP). Over the past four years it has supported 44 projects with a total commitment of \$5.1 million. This included market development in the livestock sector, and new products and processes for dairy export markets and in special crops.

A five-year export market development plan has been approved for the AGMAP project with the Ontario Bean Producers' Marketing Board. The Department has also an ongoing AGMAP project for testing Canadian forage varieties in Europe, with a view to developing seed sales, and another for promoting the Canadian seed potato industry in foreign markets.

A federal/provincial industry project for apple market development also involves the Department, as does a market research program to increase Canadian cheddar cheese exports to Britain.

Trade Commissioner Service

With its 240 foreign service officers and 170 local commercial officers in 89 offices located in 64 countries, the Trade Commissioner Service (TCS) is playing an increasing role in trade relations. It works closely with other Department officials to identify obstacles to Canadian trade and access to markets, and reports on local economic and commercial policies and developments affecting Canadian interests.

In 1976-77, the TCS answered more than 38,500 requests from Canadian businessmen for marketing assistance, as well as directing more than 46,500 inquiries from foreign buyers to Canadian firms. TCS posts also helped to establish 1,820 new foreign agencies and provided some 3,150 new buying connections for Canadian firms..

Collaborating with other branches, the Department of Regional Economic Expansion and provincial authorities, the TCS identified and encouraged direct investment of significant benefit to Canada. It played a role during the year in some 180 projects involving a potential investment of \$260 million in Canada.

Posts of the TCS assisted in 105 projects involving a potential for direct and joint venture investment of \$720 million in foreign markets, where access for Canada's exports was difficult.

Specific Export Activities

Occasionally, an opportunity arises for the Department to support industry in a major export promotion whether it is a solo show or a specific product promotion. In October 1976, an in-store promotion of clothing was staged in Western Europe with the C & A Brenninkmeyer chain of stores. For the campaign, 84 buyers visited more than 180 Canadian manufacturers. Purchases of Canadian winter clothing and sportswear by C & A for this promotion amounted to \$5.1 million from 93 Canadian suppliers to stock a total of 60 different items for 229 stores in Britain, the Netherlands, Federal Republic of Germany and Belgium. Direct media advertising for this promotion reached 60 million readers and Canadian clothing was displayed in more than 498 store windows.

*Canadian food products were promoted in Japan during the year and were the subject of sales meetings or market surveys in several U.S. cities. Beef cattle, dairy cattle and semen were shown at the 3rd International Annual Exposition in Brazil, and furs at the International Fur Fair in the Federal Republic of Germany. Another promotional effort was the publication of "Variety Cheese in Canada".

*Potatoes Canada has proved to be a successful experiment in marketing, with unprecedented exports of potatoes to Western Europe. This organization resulted from federal/provincial industry co-operation. The Department is working toward similar co-operation at the three levels for marketing blueberries overseas. Dehydrated alfalfa and tobacco are other commodities for which the Department is taking steps to increase exports.

*Promotional Projects Program support given.

*Assistance was also provided to the Fisheries Council of Canada in promoting consumption of fish through the North Atlantic Seafood Association, and also to organized fisheries promotions in the United States, Britain, Sweden, Denmark and France.

The Department's support for production of medium to large computer systems began in 1975. Production doubled in the current year, with about 90 per cent of it being exported to Europe and Asia.

One Canadian company became a major exporter of word processing and text editing systems which were developed with Department assistance. Multi-million dollar sales have been made to the United States and Europe this year and are expected to double in the coming year.

*Six appliance manufacturers, sponsored by the Department, took part in the International Home Electronics and Domestic Appliances Exhibition in England, and completed in excess of \$878,000 in sales on site, with indications of probably more than \$5 million in sales to more than 20 countries within 12 months.

*Three appliance manufacturers, with a technique called "kitting", have penetrated Central American and Middle East markets. Kit sales reached about \$276,000 for the year. The manufacturers are also exploring the European market. The manufacturers supply kits of parts and components for a refrigerator or wringer-washer, which the offshore distributor assembles.

*A Department exhibit for 16 companies was included in the Electronica 1976 Fair in Munich, resulting in \$193,000 on-site sales and projected sales of more than \$7 million.

A \$55 million order for five 700 MVA hydro-electric generators for Venezuela was the highlight of the export contracts that formed an important part of the business done by Canadian electrical equipment manufacturers.

The Canadian telecommunications sector continues to compete aggressively in export markets with major emphasis in Africa and the Middle East.

Canada competed successfully in the United States satellite market during the year. Negotiations took place with a view to Canada becoming an associate member of the European Space Agency.

Canada's largest telephone equipment manufacturers continued to expand in the United States with 12 factories, as well as increased market penetration in Europe and Southeast Asia.

Telesat, Canada's domestic satellite operating company, joined the Trans-Canada Telephone System and has recently become more export-oriented in a consulting role. Bell Canada has formed a new export consulting company group, Bell Canada International.

One company in the energy control systems sector has grown in four years to the point where export sales now exceed its domestic market.

*Promotional Projects Program support given.

*An Ottawa demonstration of airport vehicles, firefighting equipment and snow removal equipment was sponsored by the Department for two groups of visitors: one from Europe, Asia, the Middle East and Africa, and the other from the United States. Some 70 visitors attended, and later went to airports and company facilities in Montreal and Toronto.

Preliminary studies by the Department of the freight container and municipal vehicles industries in Canada showed there was promise of increased industrial activity.

Another study concerning motor vehicles compared the costs of manufacturing truck trailers in Canada and the United States. A study of the potential market for an urban car reached the preliminary conclusion that a market exists if the price were significantly lower than that of current sub-compact cars, and if it incorporates safety and other features desired by respondents to the study.

A sale of mining dump trucks to the U.S.S.R. valued at about \$100 million, was finalized through an Export Development Corporation line of credit. The order will be completed by early 1979.

*In automotive parts, the market thrust tended to concentrate on markets developed in the United States, Europe and Japan. A number of Canadian firms introduced new products in these markets, and indications are quite strong that they will be successful. The Department purchased space at automotive trade shows in the United States and Europe, and helped manufacturers with independent exhibits in other areas. Two missions from Japan visited Canada.

Using domestic demand as a base, Canadian manufacturers of urban transportation systems achieved unprecedented export sales in 1976-77. With federal marketing support, this included PEMD, they obtained U.S. orders for subway and commuter vehicles worth more than \$180 million. Non-vehicular export sales exceeded \$50 million, with electrical and electronic equipment becoming increasingly important in this sector.

The Department is currently working on a directory of Canadian capability in urban transportation which trade commissioners will present to potential customers abroad. It will be featured also at international transit conferences and exhibitions, and in direct-mail promotion. The strategy of the Department in this field was, until recently, to concentrate its export assistance on the U.S. market. Now that Canadian manufacturers are well established there, the areas of concentration have become Latin America and the Pacific Rim.

*To promote boat exports, the Department was instrumental in sponsoring 60 boat dealers and distributors from the northern United States who visited the International Boat Show in Toronto. The Department also sponsored an exhibit at the Marine Trades Exhibition and Conference in Chicago, with the accent on power boats and their accessories.

*Promotional Projects Program support given.

*For the ocean industries, market penetration is accomplished through wide-scale fair participation and missions and marketing trips. The Department co-ordinated participation in the Offshore Technology Conference and the Offshore North Sea Conference, and in major diving, marine and oil shows. It assisted with visiting missions from Italy and Brazil, with the likelihood in the latter case of joint venture contracts for Canadian firms.

In addition, the Department was involved in federal/provincial co-operation, such as a proposed feasibility study for a Newfoundland-based commercial diving and research centre.

Canada's aerospace industry is benefiting from a federal contract for 18 Lockheed Aurora aircraft and their avionic systems. The Department is monitoring this program for industrial benefits to Canada, and Lockheed exceeded its contractual requirements in this respect by more than \$20 million during the first year.

*Through its export promotion programs and activities, the Department supported sales of Canadian machinery abroad to the value of \$1.65 billion in 1976. Canada sold more than \$480 million of farm machinery to the United States, \$5.5 million to Mexico and \$4 million to Australia. Major sales of power generation equipment included \$10.5 million worth to Iran, \$4 million to the U.S.S.R., \$3.7 million to Mexico and \$3.2 million to Australia. Canada also sold \$69 million of logging machinery and \$40 million of chain saws abroad. PEMD assistance was given in most cases.

Under the aegis of Canada's industrial co-operation initiative with the European Economic Community and its members, the Department sponsored a plastics processing mission to Britain and the Federal Republic of Germany. Canadian manufacturers were able to develop several opportunities for co-operation with their counterparts in those two countries, a number of which have materialized in business transactions.

*In the textiles and consumer products area, the sporting goods industry increased its ski production and made major export gains with hockey equipment and swimming pools in Europe. The industry participated with federal support in fairs in France and the Federal Republic of Germany, and in receiving a U.S. mission of buyers in Montreal. PEMD grants have helped to increase export sales for tanning and footwear companies.

*The carpet sector of the textile industry has been most active in developing exports, particularly in the Middle East, Europe and Australia.

Through PEMD assistance in most cases, the Department helped many firms that were seeking export markets for steel products because of the downturn in domestic demand and construction activity. They had some success with structural steel, fasteners, rails, pipes and tubes, tinplate and plate, but world markets remained largely depressed. A seminar in antenna products for world satellite communications markets resulted in multi-million dollar contracts.

*Promotional Projects Program support given.

In non-ferrous metals, the Department helped industry to develop European markets for aluminum pallets and nuclear grade tubing. Also, the Market Data Generation project aided producers of heat exchangers and investment casters in their marketing programs.

The Department has entered into a second five-year, cost-sharing program with British Columbia and its Council of Forest Industries to develop the overseas marketing capability and offshore demand for Canadian lumber, plywood and other wood products. The major thrust over the next few years will be in Japan. The Department has also made a market survey of Morocco, Spain, Italy and Greece.

*Canada received a technical housing mission of EEC officials, which studied the correlation between the National Building Code and timber-frame construction. The Department sponsored a mission of French building officials, providing them with information on sound insulation and fire retardation.

It appears that the Department's efforts in primary wood products, particularly for manufactured housing, have borne fruit. A larger group of companies than ever explored offshore markets during the year, with many notable successes. Exports in this sector -- many with PEMD support -- have risen from zero to many millions of dollars in just a few years.

PRODUCTION EFFICIENCY

The Department has brought together, under a new Business Services Branch, a variety of services that promote business expansion and efficiency. These include import replacement services and market analyses, interfirm comparisons and programs to assist in upgrading Canadian business management.

The demand for information and analytical assistance on industrial performance has increased significantly. The information was gathered from domestic and international sources, and supplemented with in-depth studies of key problems such as the impacts of scale, capital intensity and managerial skills on productivity.

Requests increased also for the Interfirm Comparison Program, which consists of confidential analytical comparisons of the performance of individual companies to show where and why they differ, and how they could improve. These comparisons have been completed in 12 sectors, including steel construction, wooden and upholstered furniture, computer services, die-casting, and six types of plastics processing. Others are under way. After a pilot project, the Department has decided to use private consultants in this comparison work, but under its direction and control.

*Promotional Projects Program support given.

University Activities

During the last 10 years, the Department's program for universities and other organizations has led to the establishment of nine industrial research institutes, nine centres of advanced technology and three industrial research associations. A new centre of advanced technology -- the Health Industry Development Centre at the Manitoba Research Council -- opened in 1976-77.

The Technological Innovation Studies Program provided 10 awards to eight universities. Research supported by this program was the basis for a book entitled "Winning the New Product Game", which portrays the problems and successes experienced by several Canadian companies in bringing new products to the marketplace.

The Department continued to assist in the improvement of business management, in co-operation with Canadian universities, through the development of management courses and establishment of Centres for International Business Training.

Metric Conversion

The Department is responsible for overall planning of the implementation of metric conversion in the federal government through the Interdepartmental Committee for Metric Conversion. During the year, the Minister sponsored the first metric conversion omnibus bill (Bill C-23). Arrangements were finalized to enable the private sector to review proposed metric amendments to regulations. Plans were completed also for preparing a metric training program for general and administrative personnel, and seminars for federal information officers and editors.

Program to Enhance Productivity (PEP)

PEP (one of the programs to be absorbed on April 1, 1977, by the new EDP program) approved projects in 1976-77, exceeding the previous year's; there were 51 of them and a total commitment of \$772,000. The program underwrites up to half the cost of examining the feasibility of projects to improve production efficiency. With the decentralization of the program to give smaller companies greater access to it, the regional offices approved 12 of the projects.

Companies from Newfoundland to Alberta took advantage of PEP during the year. Most industry sectors received support, but the largest number of projects involved textile and clothing companies.

Environmental Protection

The Department is monitoring domestic and international environmental protection policies and legislation, and assessing their impact on Canadian industrial development and trade. This task includes keeping an up-to-date record of provincial and federal environmental legislation, and of the main issues discussed internationally.

So as to harmonize environmental policies and programs with the objectives of greater industrial efficiency and international competitiveness, the Department works closely with Environment Canada, other federal departments and the provinces.

Forest Products

An investigation of what can be done in the pulp and paper sector to improve efficiency in general and international competitiveness in particular has been initiated. The Department also organized a technical study mission to Nordic countries to examine structural lumber, finger-jointing technology and its possible application to Canada. This initiative was in recognition of the growing importance of shorter length lumber produced in this country.

Electrical and Electronic Industries

The 1976-77 program included assistance to modernize and increase the yield of piezo-electric crystals for microwave systems.

Investigation continued into all aspects of television manufacture in Canada, and a TV duty remission program was introduced to help the industry reduce costs by rationalizing production.

A major rationalization of the appliance industry occurred with the merging of the appliance divisions of three of the largest companies to form a new company that is expected to become cost competitive internationally.

Investment in capital equipment in the avionics industry continued to be weak as was shown by support of little more than \$1 million for such expenditures under the Industry Modernization for Defence Exports Program. This raises concern about the industry's ability to maintain or improve its international competitive position, particularly with rising labour rates.

Most Canadian instrumentation and process control companies are still too small to support the research and development and the marketing necessary to compete internationally. Despite their size, companies are competitive in price and technology, and the Department is trying to encourage rationalization and mergers, where possible, as well as international marketing consortia to reduce the costs of engaging in international competition.

Farm Machinery

In co-operation with the Department of Regional Economic Expansion, this Department has made a survey of farm machinery manufacturers in Manitoba, Saskatchewan and Alberta, relating their capabilities to the forecast demand for farm machinery for 1977 in both the domestic and foreign markets. This has given individual manufacturers a better idea of the adjustments they might have to make in production.

Consumer Products

The Footwear and Tanning Industries Adjustment Program has assisted 29 footwear and four tanning firms since it started in 1973-74. These firms represent about 45 per cent of the employment in the footwear industry and 50 per cent in tanning. Through further assistance, the industry established the Footwear and Leather Institute of Canada in 1976, and awarded seven Footwear Canada Scholarships in management and design.

In conjunction with the Manitoba Department of Industry and Commerce and the Manitoba Fashion Institute, the Department is establishing a productivity and development program for the province's apparel industry. This is intended to increase both productivity and efficiency through consultative and advisory services.

INTERNATIONAL ENVIRONMENT

United States

A new record of more than \$50 billion was set in two-way trade with the United States: Canadian exports reached \$26.2 billion and imports \$25.5 billion. As the United States' single most important market, Canada exceeded the whole of the European Community's two-way trade with the United States by nearly \$7 billion.

The U.S. Justice Department initiated a number of anti-trust activities in 1976, some of which had implications for Canada. In consultations between the two countries, the principal anti-trust problems were those related to a U.S. Grand Jury investigation of uranium marketing, and its indictment against potash producers; and also a U.S. Justice Department advisory opinion on a possible joint venture for development of a new jet engine.

Actions by both governments to provide relief for domestic industries had a bearing on bilateral trade. The U.S. International Trade Commission initiated 10 investigations resulting from domestic industries petitioning for import relief, involving products of interest to Canada such as sugar, footwear, television sets, fresh-cut flowers, cast-iron stoves and beef.

The Commission made nine determinations involving, among others, round stainless steel wire, honey, sugar, non-rubber footwear and television receivers. While recommending import restrictions in a number of instances, the President did not take action on all. The Administration did, however, impose quantitative restrictions on imports of specialty steels from all sources, including Canada.

The Department advised and assisted Canadian exporters affected by the restrictions, and held discussions with U.S. authorities to minimize adverse effects on Canadian shipments. Similarly, it advised and assisted Canadian firms affected by the U.S. Treasury Department's more vigorous enforcement of anti-dumping and countervailing duty provisions. The United States initiated an anti-dumping investigation involving certain parts of self-propelled bituminous paving equipment and made final determinations in the cases of hollow or cored ceramic brick and tile (no injury), press-on rubber industrial tires (no sales at less than fair value) and automobiles (investigation discontinued). The U.S. Treasury also conducted a countervailing duty investigation of groundfish imported from Canada, deciding affirmatively, but waiving the countervailing duty.

Canada took action under GATT Article XIX to restrict imports of clothing and certain other textile goods.

Agriculture continued to figure prominently in Canada-United States bilateral trade relations. Following U.S. limitation of beef and veal imports, Canada reached understandings with its trading partners, including the United States, for orderly marketing. The arrangement envisaged imports of 24.75 million pounds of U.S. beef and veal in 1977, while the United States provided for imports of some 75 million pounds from Canada.

Other Canadian representations to the United States concerned a "Buy American" proposal, the extraterritorial application of U.S. laws, and U.S. tax treatment of expenses incurred by its citizens attending foreign conventions, as well as the above-noted recommendations of the International Trade Commission on import restrictions.

The Department helped to resolve problems faced in the customs and tariffs area by Canadian exporters, and took steps to maintain and improve general access to the U.S. market. The Western Hemisphere Bureau participated in a one-day seminar organized by the Department's Winnipeg office to guide exporters on customs and related procedures.

Further assistance to Canadian exporters related to maximizing their returns from promotional efforts in the United States through research-based guidance on the most suitable regions for their products and the most promising distribution methods. This helped Canadian sales to pass the levels indicated by inflation and the acceleration of the U.S. economy.

As in the previous year, the Department paid special attention to markets for automotive parts and mass transit equipment. Exports of clothing, furniture, specialized machinery and equipment were also promoted by participation in U.S. trade fairs, and by organizing visits of buyers to appropriate Canadian suppliers and trade shows.

Western Europe

Although most Western European economies still experienced minimal growth in 1976, Canadian exports to the region increased by 8 per cent to \$5 billion. Imports into Canada from there decreased slightly by 2 per cent to \$4 billion.

The EEC, with almost one-quarter of world trade, excluding sales between its member countries, forms the world's largest trading entity, and with its population of 260 million, generates almost one-fifth of the world's output of goods and services.

The EEC as a group of nations ranks second to the United States among Canada's trading partners, with Canadian exports reaching \$4.4 billion and imports of \$3.2 billion in 1976. Industrial materials and agricultural produce make up the largest share of Canada's exports to Western Europe, with finished goods only about 12 per cent of the total; but these goods represent almost two-thirds of Western European exports to Canada. The region is also Canada's second largest source of investment capital, with 15 per cent of direct foreign investment.

The potential for investment, intercorporate links and scientific and technological exchanges with Western Europe is far from fully realized. It is a major objective of the Department to create and maintain a favourable environment for Canadian business to pursue its interests there, and efforts along these lines found expression in three broad fields, as follows:

1. To safeguard and improve its access, Canada looks to the current round of multilateral trade negotiations, particularly in the EEC markets. The Department continued to identify export opportunities in Europe that would benefit from concessions in these negotiations.

2. To promote exports to Western Europe, more than one-fifth of its Trade Commissioner Service officers abroad are deployed in 21 posts there. Senior trade commissioners from these posts took part in export opportunity seminars in Vancouver, Edmonton, Regina, Winnipeg, Toronto, Montreal and Halifax. They also had 1,000 private interviews with Canadian businessmen. More than 40 per cent of the Department's fairs and missions budget went to Western European projects, and the Department participated in more than 20 fairs in the area. It also sponsored more than a dozen trade missions to and from Western Europe. More than 450 Canadian firms took advantage of the Department's Program for Export Market Development (PEMD) in the area.

3. To improve communications and co-operation, a Framework Agreement for Commercial and Economic Co-operation between the European Community and Canada was signed in 1976. It provides for a Joint Co-operation Committee through which possibilities for trade, industrial and economic co-operation between firms on both sides are identified and developed. The kinds of co-operation sought include expansion and diversification of trade, two-way investment, joint ventures, scientific and technological exchanges and licensing agreements.

In parallel with this agreement, Canada worked along bilateral lines for further economic co-operation with Britain, Denmark, France, the Federal Republic of Germany, Italy, Finland and Sweden. Canada also continued its semi-annual consultations with the Commission of the European Communities to review trade and economic matters at a senior level.

A number of access questions were raised with authorities in the EEC or individual member states including the quota arrangements and waterlining requirements for exports of newsprint to the EEC, regulations relating to gift shipments of apples to Britain and the health regulations governing cattle imports into Belgium. Problems faced by Canadian producers of cheese, malt and flour as a result of competition from EEC exporters, assisted by restrictions under the Common Agricultural Policy, were also pursued with EEC authorities.

Eastern Europe

Exports to Eastern Europe reached a record value of \$788.2 million in 1976, an increase of 18 per cent over the previous year; imports increased by 15 per cent to \$205.6 million. Grains and oilseeds continued as the major export components, accounting for about 82 per cent of the total. The non-grain element increased slightly from \$135.8 million in 1975 to \$140.4 million in 1976.

The U.S.S.R. signed a long-term economic agreement with Canada similar to those it negotiated with other major Western trading partners. While this does not entail specific commitments to volume or type of goods traded, it creates a framework that could help to expand and diversify trade. Both parties undertook to establish a long-term program of economic co-operation, and the agreement provided for renewal of the exchange of most-favoured-nation treatment for five more years.

In October 1976, the Secretary of State for External Affairs, accompanied by the Minister of State for Small Business, led a mission of senior business representatives and governmental officials to the Soviet Union. The inaugural meeting of the Mixed Commission established by the agreement took place. Also, in Warsaw, the Minister of State took part in signing ceremonies for a multi-million dollar contract awarded to a Canadian firm for paper-making machines -- Canada's largest equipment sale in Eastern Europe to date. The sale was made with PEMD assistance.

Trade commissioners stationed in Eastern Europe returned to Canada in the fall and took part in seminars in major industrial centres on the subject of doing business in Eastern Europe.

Missions visiting Canada were led by the Trade Minister of the Soviet Union, the Hungarian Deputy Prime Minister, the Polish Minister of Forestry and Wood Products Processing Industries, and the Under-Secretary of Foreign Trade for Yugoslavia. Other trade consultations were held with the U.S.S.R., Poland and Bulgaria, in which Canada had opportunities to emphasize supply capabilities of interest to those countries, and to identify trade opportunities for Canadian industry. Financing protocols with the U.S.S.R. and Poland resulted in export contracts of some \$300 million being signed in 1976.

Pacific, Asia and Africa

Japan's place as Canada's second largest national trading partner was maintained in 1976 with two-way trade reaching nearly \$4 billion of which some \$2.4 billion were Canadian exports.

During the Prime Minister's visit to Tokyo in October, he and Prime Minister Miki signed the "Framework for Economic Co-operation" which reaffirmed the commitment of both governments to economic co-operation and further development of bilateral economic ties.

Following an Australian announcement of proposed wide-ranging tariff changes in November, the Department was actively engaged in advising Canadian businessmen of the potential impact. Representations to Australia resulted in the overall impact of the changes being considerably reduced.

The fourth meeting of the Canada-China Joint Trade Committee was held in Ottawa to discuss the development of trade. In October, an exchange of notes extended the Canada-China Trade Agreement for a further three years. This agreement provides for the exchange of most-favoured-nation treatment and annual consultations.

A delegation from Vietnam, led by the Vice-Minister of Foreign Affairs, discussed development of relations between the two countries, including trade.

Trade commissioners from seven posts in Southeast Asia held seminars and interviews with businessmen in major Canadian centres, following the mission led by the Minister to that area. The first meeting between Canadian officials and the Association of Southeast Asian Nations, held in Manila, discussed trade and development.

The Indonesian Minister of Industry visited Canada. He discussed possibilities for Canada-Indonesia co-operation, and visited several Canadian industries.

Exports to Africa and the Middle East continued to expand slightly, reaching \$892 million in 1976. In addition, Canadian sales of services (engineering, management and construction) were estimated at about \$200 million. Trade promotion in the area was highlighted by the Department's participation at fairs in Algeria, Iran, Iraq and Turkey.

A Canada-Israel Joint Economic Committee was established with the signing of a memorandum of understanding during the Canadian visit of Israel's Deputy Prime Minister and Minister of Foreign Affairs.

The Nigerian Commissioner for Foreign Affairs included discussions on trade during a visit to Ottawa. During a separate visit to Canada, the Nigerian Commissioner of Agriculture had talks on agriculture and fisheries at both the federal and provincial levels.

The second annual meeting of the Canada-Iran Joint Economic Commission was held. The talks reviewed projects identified during the inaugural meeting of the Commission and identified new sectors for Canadian participation: distribution, handling and storage of goods; rolling mills; petrochemicals; joint participation in the food industry; transportation and power transmission.

The inaugural meeting of the Canada-Saudi Arabia Joint Economic Committee took place in Ottawa under the joint chairmanship of the Minister of Industry, Trade and Commerce and the Minister of Industry and Electricity of Saudi Arabia. The purpose was to identify trade opportunities. Subsequently, four missions of Department officials to Saudi Arabia dealt with the construction, education and training, agriculture, and power transmission sectors.

Caribbean and Central America

Canadian exports to this area in 1976-77 were \$558 million, an increase of 4 per cent over the previous year. In the Commonwealth Caribbean, Canadian exports were down to \$132 million despite a healthy increase in exports to Trinidad and Tobago. Led by Cuba, Canadian sales to the non-Commonwealth Caribbean increased to \$345 from \$330 million in the previous year. Canadian sales to Central America increased by 23 per cent to \$81 million.

The sharp drop in world sugar prices affected prospects in Cuba and the Dominican Republic, but Canadian exports to Cuba, the largest market in the region, set a record of \$234 million. On the other hand, strong world prices for their main exports benefited the foreign exchange balances of most Central American countries. In addition to traditional exports, Canadian firms, many with PEMD assistance, have a number of large projects in the area, particularly in the mining, railway, hydro-electric and forestry sectors.

Severe balance of payment problems in Jamaica and Guyana resulted in both countries tightening their import controls. Lower sales to these markets and to Barbados, The Bahamas and Belize accounted for the 6 per cent decline in Canadian exports to the Commonwealth Caribbean.

A further round of negotiations between Canadian and Caribbean Common Market officials took place with a view to preparing a draft Trade and Economic Co-operation Agreement.

Latin America

Canadian exports reached a record of \$1.1 billion in South America and Mexico, or 1.7 per cent over the previous year. Two major markets showed increased purchases -- Venezuela with \$355.3 million and Brazil with \$327.6 million. Exports to Mexico stayed virtually the same at \$212.9 million despite the economic difficulties of that country and attendant resistance to imports.

Canada's expanding relations with the region were highlighted by the first meeting of the Canada Brazil Joint Committee on Trade and Economic Matters, and by a visit of the Secretary of State for External Affairs to Brazil, Peru and Colombia, and by the Minister's visit to Venezuela.

Several meetings between the Brazilian and Canadian governments concerned Canada's interest in obtaining a substantial share of the equipment needed in constructing the ITAIPU hydro-electric project, and also to be favourably considered for design and construction of the new Sao Paulo International Airport.

In Venezuela, a consortium of Canadian companies, supported by the Minister, was the successful bidder for design and construction of a complete railway in the province of Guyana. The Department's representational and financial support helped the consortium to obtain the contract for Canadian equipment worth hundreds of millions of dollars.

In Mexico, where the administration has set development of the oil industry as one of its highest priorities, Canada has confirmed its interest. Canadian companies have also initiated contacts with a view to exporting oil and gas equipment to the national petroleum company.

Multilateral Trade Negotiations

During the fiscal year, discussions continued in Geneva in various negotiating sub-groups dealing with non-tariff barriers such as government procurement, technical barriers to trade (product standards), customs procedures and practices and import quota restrictions. Negotiations in the sub-group were aimed at developing international codes of discipline. In addition, other negotiating groups which met included: the Tariffs Group, the Sectors Group, the Safeguards Group, the Tropical Products Group, the Agriculture Group and the Framework Group.

Broad Canadian objectives in the negotiations are: (1) the reduction or elimination of trade restricting or distorting effects of non-tariff measures and bringing such measures under more effective international scrutiny and discipline; (2) a substantial reduction of tariffs on both industrial and agricultural products; (3) a significant improvement in the terms of access of agricultural exports, resulting in a greater role over time for comparative advantage and increased stability in international trade; (4) in carefully defined and selected sectors, a comprehensive attack on all barriers to trade especially where these impede the processing and upgrading of resources in the country of origin; and (5) improved opportunities for developing countries to increase their export earnings.

Commodity Trade

Canada agreed to an extension of the 1971 International Wheat Agreement (IWA) to June 30, 1978. Canada, along with other members of the International Wheat Council, has been working toward development of a new agreement expected to be negotiated in 1978.

Canada participated in UNCTAD IV in May 1976, at which the Integrated Program for Commodities was adopted. Its principal elements are negotiations on a common fund for financing commodity buffer stocks, and consultations and negotiations on a series of commodities of export interest to developing countries. Department officials participated in a series of international meetings relating to various individual commodities under the program.

Canada is an importing member of the Fifth International Tin Agreement which came into force July 1, 1976. Canada is also an importing member of the 1975 International Coffee Agreement and the International Cocoa Agreement, both of which entered into force October 1, 1976.

Industrial Co-operation

Canada and the European Communities signed a Framework Agreement for Commercial and Economic Co-operation which became effective October 1, 1976. This should lead to increased trade and investment opportunities and, in particular, facilitate the expansion of industrial co-operation between Canada and Europe.

The agreement provides for a Joint Co-operation Committee to promote and keep under review various aspects of commercial and economic co-operation. A Sub-committee for Industrial Co-operation was formed, and also three working groups in the forest products, telecommunications/peri-informatique and aerospace sectors. Watching briefs (situation reports) are to be maintained on the coal, iron and steel, and non-ferrous metals sectors.

Grains and Oilseeds

Favourable grain harvests in Canada and most other major producing countries resulted in a lower demand, more competition and a severe drop in prices. Despite this, Canadian grain exports remained high, and the lower returns were offset somewhat by a strong demand and rising prices for oilseeds.

Exports of the six major grains amounted to 765 million bushels (19 million tonnes), of which wheat and flour accounted for 494 million bushels (13.5 million tonnes) while the major oilseeds accounted for 58 million bushels (1.35 million tonnes) in the 1976-77 crop year.

The credit grain sales program again made an important contribution, covering about 30 per cent of wheat exports and some quantities of barley and oats.

The Grain and Oilseeds Marketing Incentives Program encourages market development, promotes value-added processing of crops into protein, oil and starch components for animal feeds and food products. Its cost in the current year was \$634,000.

An amendment to the Prairie Grain Advance Payments Act, raising the maximum advance to a producer, coupled with lower delivery opportunities in the past few crop years, increased advances to \$126 million. The interest cost for 1976-77 more than doubled to \$2,550,460; this is borne by the federal government.

Payments under the Two-Price Wheat Act, which reduced the price for Canadian consumers to \$3.25 a bushel, were \$65.3 million -- well below the level of the previous year, when export prices were high.

The POS (Protein, Oil, Starch) Pilot Plant Corporation, an industry-government venture, neared completion of its plant in Saskatoon. The non-profit corporation will develop new food technologies for Canadian crops and help to increase Canadian processing. The federal government pays 90 per cent of the capital cost, which meant payments of \$3.2 million in 1976-77.

The Canadian International Grain Institute helps to maintain and enlarge markets at home and abroad with instructional programs for countries that buy Canadian grains and for the Canadian grain industry. Seven courses involving 20 countries were given during the year. The Department paid \$529,000 as 60 per cent of the cost, and the Canadian Wheat Board paid the remainder.

Marketing visits undertaken jointly by government and industry included Asia, the Middle East, Western Europe and Japan. In the food aid field, a survey made of the current status and trends in the value-added processing sector included blended foods, protein supplements and school feeding programs.

The Rapeseed Utilization Assistance Program, administered by the Rapeseed Association of Canada, received \$300,000 in 1976-77 for 20 projects of research and development. About half of the funds went to research in meal, and next in order were oil and flour.

Expenditures in the Grains Program for 1976-77 were: operating expenditures \$2,202, grants and contributions \$180,731.

Resource Industries

The Department participated in three major committees connected with the resource industries to promote industrial co-operation: 1) Canada/EC Ad Hoc Forest Products Working Group, 2) Canada/Japan Joint Economic Committee and 3) Canada/U.S.S.R. Working Group on the Forest Product Industries. It was also involved with a technical pulp and paper mission to Japan, a paper and paperboard market survey of East Africa, and a paper and paperboard marketing mission for Italy.

A number of OECD projects in which the Department was engaged included a "Waste Paper Utilization Study" and a report on "Opportunities for Energy Conservation in Pulp and Paper". It also initiated efforts to establish a biannual short-term economic outlook on the pulp and paper industry in OECD countries.

In the iron and steel sector, there was participation in international meetings such as the ECE Steel Committee, the OECD Steel Group and the UNIDO steel meetings, as well as several meetings of government and the steel industry about the steel sector approach to GATT/MTN.

Steel experts from the U.S.S.R. visited Ottawa and Canadian mills, and the Department and Canadian steel industry officials made return visits. The Department also arranged for meetings between an incoming Czech steel delegation and Canadian industry, held consultations with the United States about specialty steel and problems concerning chrome, and continued discussions with Japan on their possibly locating a steel mill in British Columbia.

In non-ferrous metals, a number of international meetings included the Lead-Zinc Study Group, the UN Committees for Trade and Development (UNCTAD) on Copper, Tungsten and Manganese, as well as for the sector in GATT/MTN.

A Canadian non-ferrous metals mission of 10 representatives of secondary manufacturing visited the European Economic Community. Its objectives included the exchange of technological, marketing and management information, sales of products and technology, and a search for specific European technology and equipment for use in Canadian operations. About 150 (75 per cent) of the meetings require further follow-up.

To keep abreast of world trade patterns and technological developments in primary wood products, the Department continued its input to programs and projects of the ECE Timber Committee. Trade promotion in manufactured wood products, notably timber-frame housing, was emphasized in 1976-77 through trade fairs and missions, including the major shows in Brussels and Utrecht.

The Department sponsored a mission to the Middle East composed of company representation involved in house manufacturing, who surveyed the potential markets in Iran, Bahrain and Saudi Arabia. These companies expect concrete export opportunities as a result of the trip.

Electrical and Electronics Products

The telecommunications sector is not restricted from competing in world markets by technical specifications for most types of communication systems. The one exception is telephone exchanges which restrict the two major Canadian manufacturers from competing in Africa/Middle East and Latin America markets. As electronic exchanges are further developed, and in particular with the advent of digital switching, Canada will be able to compete in all markets. This sector must continue to compete against non-tariff barriers to obtain export contracts.

A factor which has impacted on the performance of the electronics sector is the emergence of a number of non-tariff barriers in U.S. defence trade, including increasing use of "no-foreign" clauses in requests for bids, and "nuclear-hardening" and "communication-security" requirements that have kept Canadian firms from bidding on certain U.S. programs. While some success has been achieved in overcoming some of these restrictions, there is no question that access to the U.S. military market is becoming more difficult.

Canada has a good base for both domestic and world competitiveness in specialty instrumentation and process control systems, such as those applied to the resource industries -- geophysics, cartography, energy generation and transportation, and mineral processing.

The trend of the last 20 years has been a consistent decrease in Canadian products as a percentage of the Canadian market. This trend has not only stopped in recent years, but appears to be reversing.

Defence Programs and Contracts

Canada continued to co-operate with her allies in defence planning through co-operative defence research, development and production programs co-ordinated by the Department. Many of these programs have civilian applications and represent advanced technology in communications, navigation and transportation equipment.

Defence export contracts placed in Canada by NATO and other friendly countries amounted to \$390.6 million in 1976-77. Imports of defence equipment cost \$1,114.4 million during the same period, and consisted mainly of the long-range patrol aircraft system (CP-140) from the United States, and the Leopard tanks from the Federal Republic of Germany.

Transportation

The Department pursued developments in international shipping arising from the seventh session of the Committee of Shipping of UNCTAD. These included the conditions and costs of sea carriage of trade, the effectiveness of shippers' organizations (councils), the status of the Code of Conduct for Liner Conferences, and problems of port congestion in a number of countries.

Other meetings involving the Department were UNCTAD intergovernmental meetings on container standards, a convention of multi-modal transport, and Canada's new membership on the ISO Advisory Committee on international standards for physical distribution equipment. There were also three sessions of the Maritime Transport Committee of OECD on the shipping problems of trading nations, and participation in the Shipping Advisory Board and the new Marine Transportation Research and Development Advisory Board.

On the industrial side, the automotive parts trade deficit increased only slightly to \$2.59 billion in 1976. However, the overall automotive products deficit, including vehicles, tires and tubes, fell significantly to about \$1.2 billion. Concern about the continuing size of the parts deficit has led the Department to attempt a moderation of it through discussions with the industry.

Textiles

A world surplus capacity in textile products makes the international market highly competitive. In fact, the domestic industry has great difficulty in maintaining a satisfactory share of the domestic market, because of imports from both developed and developing countries. This is evident from the industry's requests for studies of various markets by the Textile and Clothing Board during the past year.

Science and Technology

The Department played a leading role in arranging three visits of Canadian businessmen to the U.S.S.R. and one visit to Canada by a Soviet delegation in 1976. These were in the context of the oil, gas and electrical working groups of the mixed commission of the Canada-U.S.S.R. Agreement on Co-operation in the Industrial Application of Science and Technology. As a result, Canada obtained \$42.8 million of new business for pipeline compressors, valves and other equipment.

Standards

The development of policies and programs in the field of standardization continued as one of the Department's responsibilities. Projects included a survey of Canadian standards activities for the Commonwealth Science Council, and a report on provincial activities for the Canadian Permanent Mission to GATT.

The Department continued to work for the reduction of trade barriers caused by standards and related test methods and certification procedures. This involved participation in the standardization activities of intergovernmental organizations such as ECE, the Pacific Area Standards Congress and GATT.

DOMESTIC ENVIRONMENT -- FIELD OPERATIONS

On the domestic scene, the gradual decentralization of the Program for the Advancement of Industrial Technology (PAIT), Program to Enhance Productivity (PEP) and Industrial Design Assistance Program (IDAP) reached the stage where the regional offices handled 44 per cent of all the Department's projects in 1976-77. Commitments of \$4.3 million for 76 projects were made through the regional offices.

In addition, the function of making company assessments for the Program for Export Market Development (PEMD), Sections B, C and D, has been decentralized for the Eastern and Western Regions, which speeds up the processing of applications for companies with under \$2 million in annual sales.

The 11 regional offices intensified their work in industrial and trade development and in federal-provincial relations. They sponsored seminars and conferences in the areas of licensing, patents, joint ventures, international trade and tourism. They also helped to co-ordinate the programs of incoming missions. A new regional office in Charlottetown, Prince Edward Island, opened during the year.

Natural Resource Development

In its second year of operation, the Advisory Committee on Industrial Benefits from Natural Resource Development reviewed projects involving capital expenditures of some \$15 billion. Among those that would involve Canadians in providing equipment and services were the Arctic natural gas pipeline proposals, the Liquefied Natural Gas (LNG) project of Petro Canada, the East Coast offshore exploration program of Eastcan, and the Arctic exploration program of Panarctic.

Through the policy and activities of this interdepartmental committee, resource companies have found it possible to use competitive Canadian engineering and project management firms for most projects, and have become more aware of existing Canadian competence.

Pulp, Paper and Wood Products

Shipments by the Canadian pulp and paper industry were close to 19 million short tons in 1976, compared with 16.2 million in the previous year, but were still below the record level of 21 million short tons in 1974. International markets have been extremely competitive, creating considerable marketing difficulties for the Canadian industry. To alleviate this, the Department has been active and successful in helping to place tonnage in international markets.

The Department also played a significant role in promoting proposals and providing technical assistance to the Department of Finance for an improved tax concession on certain energy conserving equipment to be installed in manufacturing plants.

A discussion paper prepared by the Department has provided a review of forest product industries, an analysis of the strengths and weaknesses of the various pulp and paper sectors, and recommendations for improving the international competitive position of the industry.

Under the auspices of the Forest Industries Development Committee, and the direct supervision of the Department, a rationalization pilot project is being carried out in New Brunswick. It involves restructuring the pulp and paper industry through modernization and other means to improve efficiency, reduce costs and restore its competitive position in world trade.

In the manufactured wood products sector, the Department commissioned a study of technological developments that may confront the housing and wood building components industries up to the year 1990. Through the Delphi forecasting technique, the study examined future demand in the Canadian residential house construction market in relation to use of wood building components, materials and structures, and identified the problems and opportunities.

A second housing study by the Department concerns wood-frame house manufacture in Canada, including its development and rationale, and all other information on this important sector of the economy.

Iron and Steel

A series of monthly steel meetings was held in 1976-77 with representatives of the member companies of the Steel Industry Advisory Group. The purpose was to identify opportunities and constraints relating to the Canadian steel industry.

The Department has published a promotional booklet on "Canadian Ferrous Castings and Forgings" which is available from the Iron and Steel Division. The groundwork was laid for another publication, the "Canadian Ferrous Foundry Industry Report of the 1976 National Survey" to show the size and capabilities of the industry. Revisions are under way for a new edition of the trade promotional booklet, "Metal Pipe and Tube from Canada".

Non-ferrous Metals

The depressed world economic environment resulted in lower production and corresponding lower prices for non-ferrous metals. Although the lead market remained relatively strong, and the aluminum market steadily improved, the copper, zinc and nickel markets remained depressed.

The Department, in co-operation with the industry, was instrumental in forming the Investment Casting Association of Canada, and is helping the die-casting industry to form a representative association.

Also, the Department completed preparatory work for a new booklet on the Canadian coin industry, and published a glossary of technical terminology of the copper industry in Canada.

An interdepartmental study on a proposed East Coast zinc smelter for zinc concentrates from the Arctic was undertaken, and so were studies of the copper and aluminum industries.

Coal

Canada and British Columbia have entered into an agreement for joint financing of the cost of planning and evaluation studies of the coal resource of northeast B.C. An ad hoc committee of ministers and subcommittees of senior officials are analyzing potential developments. The Department has also presented a coal market survey of 27 countries to the B.C. government and coal producers generally.

Textiles and Consumer Products

The unprecedented rise in imports significantly reduced the leather and vinyl footwear industry's market share from 59 per cent in 1975 to 50 per cent in 1976. The result was a sharp drop in capacity utilization and temporary layoffs. The Cabinet has requested the Anti-dumping Tribunal to hold an immediate inquiry to determine if imports are a cause or threat of serious injury to domestic production.

The withdrawal of rubber footwear from the General Preferential Tariffs was extended to December 31, 1979, to allow the industry more time for restructuring.

A surge of women's handbag imports, especially from the Republic of Korea, prompted Revenue Canada to initiate a full dumping inquiry.

The textile industry generally has been rather stagnant in the past year, with unsatisfactory profits particularly in home furnishings. The application of anti-dumping duties to textured polyester yarns has stimulated activity among the flat and textured yarn producers, and resulted in price advances in these areas.

The federal government's restraint action on imports of both apparel and double-knit fabrics has not yet created the desired effect in the primary textile industry, but it should show later in 1977. As the industry generally is unable to reflect increased labour and material costs in the selling prices, profits have been eroded, and in the country's present economic condition, no improvement can be expected in the foreseeable future.

Chemical Industry

The performance of the chemical industry improved during 1976 over the previous year. Sales increased in constant dollars, and particularly in the latter part of the year. Unfortunately, inflation was still adversely affecting business conditions, and the negative trade balance continued roughly the same as in the previous year.

Chemical prices increased less than those of manufacturing as a whole, and while employment increased by more than 3 per cent, average earnings improved at a lesser rate than for all manufacturing. Large new investments are under way in the petrochemical sector, but the major impact will not occur until 1978, when an improvement is expected in the unfavourable balance of trade.

A study of the plastics processing industry has been completed with the participation of provincial governments and the industry. Recommendations are being developed to help the industry overcome the constraints it faces.

With the co-operation of the Department of National Health and Welfare, the Department initiated a comprehensive study of the health care products industry. This will include the pharmaceutical, biological and medical devices, supplies and equipment sectors.

Electrical and Electronics Industries

The Canadian telecommunications sector suffers from the smallness of the domestic market. The Canadian needs are supplied primarily by Canadian manufacturers. Canada continues to be plagued by overproduction capability in the microwave sector and the manufacturers are not in a healthy position. The two major telephone equipment manufacturers have consistently maintained their share of the Canadian market and have been operating profitably. During the past year employment has decreased in the telecommunications sector due to lack of contracts domestically and offshore.

Considerable interest and action have resulted from recent increases in National Defence spending plans (the CP-140 Patrol Aircraft, Leopard Tank, New Fighter Aircraft and Ship Replacement Program). Negotiations for suitable Canadian content and industrial offset benefits in these programs have been a major activity, particularly for the Patrol Aircraft. This should intensify in future with the New Fighter Aircraft and Ship Replacement Programs. The Department will attempt to extend the benefits beyond "build to print" to encompass technology and market support over the longer term.

The Canadian domestic market in general instrumentation, such as oscilloscopes, signal analyzers, etc., is too small to provide a basis for world competition. Where a company has a foothold in the market, it is because it has achieved a lead in a specific technology over the rest of the world.

Transportation Industries

The delivery of 41 de Havilland Twin Otters brings the total to 550 now in service around the world. The company has orders for 19 Super Buffaloes. First production models of the DASH 7 aircraft are nearing completion.

Canadair's Challenger Business Jet has been a tremendous success with more than 100 sold. Both the DASH 7 and Challenger are supported by Department programs and initiatives. The possible rationalization of Canadair and de Havilland is currently being assessed.

In aerospace sub-systems, the Department's major thrust is to enhance the technological base of the sector by encouraging the purchase of advanced equipment, the development of new products and increased export sales. The strength of the sector has been based on increased sales of aircraft engines, participation in the NASA Space Shuttle program, a co-operative project with the Federal Republic of Germany and France to develop a battlefield surveillance system, and offsets to the LRPA purchase by National Defence.

Total sales of sub-systems in 1976 were \$648 million, of which \$422 million, or 65 per cent, came from exports to the United States. Total employment was about 16,000, with a high proportion of engineers and skilled labour. Major activities of the year included agreement by Canada, France and the Federal Republic of Germany to develop the aerial surveillance system, with Canadair as system manager; initiation of a rotary wing, remotely piloted vehicle project at Canadair; and assistance to Spar Aerospace to develop the capability to supply the modular interchange system for NASA's Space Shuttle program.

The shipbuilding and repair industry had a value of production of just under \$600 million in 1976; over half of which was for exports. Canadian shipyards delivered 50 vessels totalling 253,608 gross tons, had 27 vessels totalling 331,926 gross tons under construction, and a further 23 vessels totalling 114,715 gross tons on order. Shipyards had some 15,000 employees.

Canada in 1976 suffered from the combined effects of a worldwide downturn in the shipping freight market and international overcapacity in the shipbuilding industry. To attract new business and avert layoffs, two major changes in support under the Shipbuilding Industry Assistance Program were announced: in November, conversion of vessels became eligible for assistance, not new construction only; and the rate of subsidy was increased from 12 per cent to 20 per cent of the approved cost of successful applications in the first six months of the next fiscal year.

The unsettled prospect for shipbuilding was reflected in the marine components sector, and was aggravated by potential foreign customers requesting that components from their countries be used in ships built in Canada. Such requests are hard to refuse in the present buyer's market for ships. Two European manufacturers of deck machinery entered into joint ventures to manufacture their products in Canada.

The sector's Canadian content averages above 66 per cent. The main reasons preventing an increase are that Japanese steel is often considerably cheaper than Canadian steel, and that main engines, reduction gear and controllable pitch propellers are not available from Canadian production.

Studies undertaken jointly with other interested departments included the integration of trade and transportation statistics and the improvement of shipping statistics; the problems of shipping potatoes from New Brunswick and Prince Edward Island; the implications of St. Lawrence Seaway tolls proposals; revised rules for the carriage of goods by sea; the impact of Canada-U.S. traffic diversion; and the implementation in Canada of the Safer Container Convention.

The Department also produced information on passenger and cargo movements for use in developing Canadian positions in negotiation of bilateral air agreements.

Machinery

The Machinery Program assists Canadian manufacturers and reduces the costs of machinery not available from Canadian sources. The Department received more than 25,000 applications in 1976, and provided more than \$200 million in assistance, through duty remissions, to industry for acquisition from abroad of advanced capital equipment. At the same time, about 100 machinery producers were helped to increase the range of products made in Canada, and to expand production capacity to take advantage of growing demands that were met previously by imports.

Design

The National Design Council of the Department established a new executive arm for the Council called Design Canada, combining the Department's former Office of Design with the Council's secretariat, and reducing expenditures by \$500,000.

Also, the Department's Industrial Design Assistance Program (IDAP) was decentralized, and it awarded \$208,677 in grants to cover half the design and administrative costs of approved projects. Product and Design Development programs have been established in Manitoba, Nova Scotia, New Brunswick, Ontario, Saskatchewan and Prince Edward Island. Grants totalling \$75,000 were awarded to Ontario and Prince Edward Island during the year.

Design Canada, with the governments of Ontario and Quebec, helped the Society of the Plastics Industry to organize a seminar on "Profit by Design", which was attended by 130 businessmen, suppliers and designers.

The Design Capability Program for Canadian Students awarded 18 Design Canada scholarships totalling \$89,000 for advanced design studies in international schools. Grants to Canadian universities and colleges offering courses in design management and industrial design amounted to \$60,000.

A "Design for Industry" lecture series, co-sponsored by Design Canada Electrohome and the provincial industry departments of Ontario and Manitoba, consisted of one-day seminars in both Toronto and Winnipeg for 250 senior business executives.

Design Canada also assisted two Canadian professional design associations, the Society of Graphic Designers of Canada and the Association of Canadian Industrial Designers, in establishing a central secretariat in Ottawa.

Under a joint program with the Department of Supply and Services, called "Stimulation of Good Design through Government Procurement", a grant of \$45,000 was awarded to a Canadian design firm to develop a new generation of standard line modular office furniture suitable for general government office use and commercial sale.

"The Shape of Things Now" exhibit, which toured Canada, showed businessmen, students and the public the quality of items designed and produced in Canada.

TOURISM

For the second year in a row, Canada's tourist industry showed mixed trends, with domestic travel by Canadians diminishing as a percentage of all their travel, while Canadian travel abroad, particularly in the United States, increased sharply. U.S. visitors to Canada decreased again, but overseas visitors showed a marked increase.

Gross revenues from visitors' spending and domestic travel spending were an estimated \$9.2 billion, or about 5 per cent of the GNP. Of this, travel in Canada by Canadians accounted for \$7.3 billion and by visitors \$1.9 billion. U.S. visitors contributed \$1.3 billion to the latter sum, virtually unchanged from 1975, while overseas visitors provided \$584 million, up 22 per cent from 1975.

Canadian expenditures on travel abroad soared to \$3.1 billion, a 23 per cent increase over 1975. Canada's deficit on travel account in the international balance of payments also rose to a record-breaking \$1.2 billion, a little more than half of which was Canada's deficit on bilateral travel with the United States.

Canada's tourism problems are evidently centred in North America. On the one hand, the number of U.S. residents entering Canada dropped by 6.8 per cent to 32.2 million (visits), continuing a steady drop; on the other hand, the number of Canadians visiting the United States rose by 8.6 per cent to 35.9 million (visits), following the trend since 1974. This was also the first year in which more Canadians visited the United States than Americans visited Canada since Statistics Canada began keeping records in 1946.

Some of the reasons, unique for 1976, were the Bicentennial celebrations in the United States, the U.S. presidential election, bad summer weather in Canada, disruptions in Canadian air traffic, and the Canadian dollar being at a premium over the U.S. dollar.

Even more important underlying reasons for the changing balance of travel were the triple threat of inflation, recession and the energy situation, which tended to keep Americans from visiting Canada. As a result of Canada's diminishing price competition, Americans were finding Canadian goods and services relatively expensive. Moreover, with the shift to more Canadians taking vacations in the winter, often abroad, they tend to go south to the United States or the Caribbean and Mexico, with incentive air fares and package tours being of material significance to this.

The bulk of Canadian tourism income in 1976 was from Canadians travelling here -- an estimated \$7.3 billion. The volume of domestic travel increased 85 per cent and the value 135 per cent during the period 1971-76, which is by no means an unhealthy trend. Tourist expenditures in total gave rise to 800,000 direct and indirect jobs in 1976.

The Canadian Government Office of Tourism (CGOT) in 1976-77 had a budget of \$23.46 million and a staff of 341 in 28 offices in nine countries, including six in Canada. Its communications program aimed at not only stimulating interest in Canada, but encouraging travel, whether domestic or foreign, by commercial transportation.

CGOT also used the consortium technique of various partners, including the provinces and segments of the travel trade, combining for heavy promotion of travel in and to Canada through pre-planned tour packages. Special campaigns in the United States and Japan were directed to ski enthusiasts. Besides media advertising, CGOT sent out five million letters in a comprehensive direct-mail program, which produced more than 500,000 requests for information kits. Also, 400 reporters, writers, broadcasters and other media specialists were guests of CGOT as part of the Visit Canada media program; and editorial material, including 125 feature-length articles, was sent to 3,000 travel editors, outdoor editors and other media people in Canada, the United States and overseas.

The Department co-ordinated more than 130 consortium seminars in Canada and the United States to promote tour packages for spring, summer and fall, and an additional series for winter tours; 16,000 attended the first series, and 12,000 the winter series.

After a three-year pilot test, the Tour Development Program has proved its worth. It has helped 32 individual companies or provincial tourism departments to establish 172 new tour programs embracing nearly every region of Canada.

A new section for Travel Trade Relations developed a comprehensive inventory of package tours to and within Canada. The Department also published two industry improvement manuals called "The Inn Business" and "Canadian Menu Manual". A further one was started for planning festivals and special events.

More than 200 consumer complaints were received, and most were resolved to the satisfaction of the customer with co-operation from provincial agencies, industry associations and the private sector.

Meetings and Incentive Travel (M&IT) promotion officers were appointed for the Chicago and New York regions. A two-day conference on M&IT in Ottawa was attended by 200 delegates from provincial, territorial and municipal governments, and representatives of the industry.

A computerized, bilingual, bibliographic data base was established in 1976. It refers inquirers to the sources and locations of relevant documents and data. In economic research, the Department has developed a tourism expenditure model and a tourism impact model to collect and analyze data more precisely. It has also generated a complete set of tourism impact data relating to employment, income, investment and government revenue. Presentations explaining the system and the impact model were made to six federal departments, five provinces, the OECD Committee on Tourism, and officers of CGOT and the Interdepartmental Committee on Tourism.

Results of the Delphi study of "Tourism in Canada to 1986" were made available to the industry and CGOT. In addition, economic research was the focal point for planning an on-going Canada Travel Survey.

The Canadian Conference of Tourism Officials in Ottawa was followed by a special meeting at Banff to discuss transportation policy and the development of a national information-reservation system.

More than 550,000 travel inquiries were handled during the year. Although this was 10 per cent less than last year, the calibre of the inquiries was high. Two direct WATS (Wide Area Telephone Service) lines between the CGOT Ottawa and New York offices, established experimentally, enabled calls to the New York office to be answered automatically in Ottawa by specially trained staff. This is intended to reduce counselling pressures during the peak travel season, and if as effective as early experience indicates, it may be extended to offices in other territories.

Industry, Trade and Commerce

Statement of Expenditures

for The Fiscal Year 1976-77

		\$ ('000)
<u>Trade Industrial Program</u>		
Operating Expenditures		82,388
Grants and Contributions		
- Industrial Research and Development Incentives Act	45,922	
- Program for the Advancement of Industrial Technology	25,455	
- Defence Industry Productivity Program	44,900	
- Program to Enhance Productivity	630	
- Program for Export Market Development	4,963	
- Capital subsidies for the construction of commercial and fishig vessels	68,000	
- Industrial Design Assistance Program	499	
- Miscellaneous	<u>5,357</u>	195,726
Loans and Investments		
- Loans to assist manufacturers of automotive products in Canada	346	
- Loans to assist defence manufacturers with defence plant modernization	5,509	
- Loans under the Footwear and Tanning Industries Adjustment Program	49	
- Loans to Canadair for the financing of water bombers	10,311	
- Loans to assist manufacturers under the Kennedy Round agreement	3,965	
- Investment for the purchase of shares of capital stock of de Havilland Aircraft of Canada Ltd.	4,067	
- Investment for the purchase of shares and notes of Canadair Limited	9,969	
- Investment for the purchase of shares and notes of Consolidated Computer	12,396	<u>46,612</u>
		<u>324,726</u>

Tourism Program

Operating Expenditures	20,569
Grants and Contributions	<u>1,517</u>
	<u>22,086</u>

Grains Program

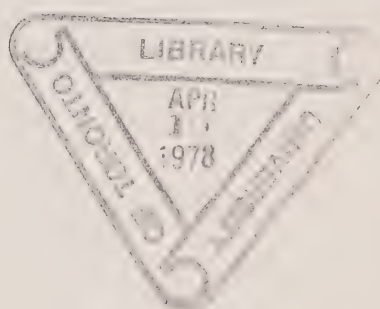
Operating Expenditures	2,460
Grants and Contributions	
- Credit wheat sales	7,743
- Payment to the Canadian Wheat Board to cover carrying charges on reserve stocks of feed grain	2,743
- Payment to the Canadian Wheat Board for the purchase of covered grain hopper cars	167,341
- Prairie Grain Advance Payment Act	2,550
- Two Price Wheat	65,303
- Western Grain Stabilization Program	61,801
- Miscellaneous	<u>6,053</u>
	<u>313,534</u>
	<u>315,994</u>
Total Department	<u>662,806</u>

Industry, Trade and Commerce

Statement of Revenues

for The Year Ended March 31, 1977

Return on Investments	\$ ('000)
Interest on loans to Export Development Corporation	77,442
Interest on loans to Federal Business Development Bank	17,395
Interest on loans to assist manufacturers of automotive products	1,243
Interest on loans to assist the pharmaceutical industry	60
Interest on loans to assist the footwear and tanning industries	118
Sundry	323
Miscellaneous Revenue	<u>1,953</u>
Total	<u>98,534</u>



141
71
1457

ANNUAL REPORT 1977-1978



Government
of Canada

Gouvernement
du Canada



Industry, Trade
and Commerce

Industrie
et Commerce

Department of Industry, Trade and Commerce

ANNUAL REPORT

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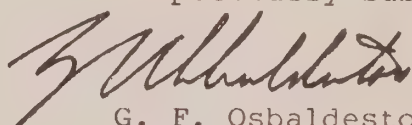
OTTAWA

The Honourable Jack H. Horner
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual report of the Department of Industry, Trade and Commerce covering activities during the period April 1, 1977 to March 31, 1978.

Respectfully submitted



G. F. Osbaldeston
Deputy Minister

OTTAWA

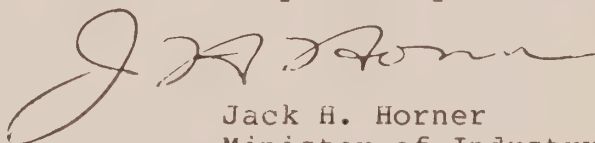
To His Excellency
The Right Honourable Jules Léger, C.C.
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency the annual report for the Department of Industry, Trade and Commerce covering the period April 1, 1977 to March 31, 1978.

A summary of the Department's policies, activities and services rendered is laid before Your Excellency.

Respectfully submitted



Jack H. Horner
Minister of Industry,
Trade and Commerce

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INTRODUCTION

The Department of Industry, Trade and Commerce has initiated an intensive and productive consultative process directly with industry, labour and the provincial governments. In the Enterprise Canada 77 program, department officials interviewed thousands of Canadian businessmen to get their views on what was needed to increase government impact on and aid to industry and to the economy. That process led to the production of 23 industry sector profiles assessing the strengths and weaknesses of the sector concerned. It also led to a call at the First Ministers Conference in February for a consultation with business and labour involving the federal and provincial governments.

The effect of Enterprise Canada 77 was felt throughout the department. For instance, dozens of firms in various sectors requested help through the Interfirm Comparison Program. This program measures company performance against that of competitors through a proven methodology developed by the Department of Industry, Trade and Commerce.

An Office for the Reduction of Paperburden was established to ease the burden of paperwork that businessmen complained of when dealing with the federal government, and a Business Centre was set up within the department to direct businessmen to the appropriate government office relevant to their problem.

Through the department's Enterprise Development Program. The government committed more than \$17 million towards the cost of 93 new industrial innovation projects. Total commitment of assistance to Canadian industry by the government runs at about \$3.7 billion a year, and such assistance includes guaranteeing of loans and loan insurance.

A good example of industry-government co-operation was the opening in Saskatoon during the summer of a pilot plant to develop new food technologies and to help increase value-added processing, making use of Canadian agricultural resources.

In world trade, Canada increased its exports to its major trading partner, the United States by about 20 per cent to \$30.2 billion, while exports to Japan reached \$2.5 billion.

Canada continued to maintain a favourable trade balance with Western Europe with exports of \$5.3 billion, although imports from that part of the world increased by 12 per cent over last year to \$4.5 billion. More than 200 Canadian firms used the department's Program for Export Market Development to explore and assess new markets in Western Europe.

The European Economic Community, besides being Canada's largest trading partner after the U.S., is also Canada's second largest source of investment capital. This year was the first full year of operation for the Canada-EEC Framework Agreement for Commercial and Economic Co-operation, and sectors are still being identified that offer possibilities for joint ventures, licensing arrangements, exchanges of technology and general expansion of trade in such areas as forest products, metals and minerals, telecommunications and nuclear equipment.

In other areas of the world, an agreement was signed with Venezuelan and Spanish groups for the construction of a 700-kilometre railway in Venezuela that should be worth at least \$400 million in exports from Canada. Algeria received \$200 million worth of Canadian equipment for the development of a natural gas field. Canada's resource-based industries as a whole recorded exports worth more than \$16 billion, aluminum, coal, lumber and steel being among the more successful.

During the coming year many new jobs will be created in Canada through industrial innovation, but a hard fight against a tendency towards protectionism in some countries is anticipated. Canada's role in the Multi-Lateral Trade Negotiations in Geneva and in the GATT negotiations is expected to bear fruit in this and in other areas.

ENTERPRISE CANADA 77

Enterprise Canada 77 is the name given to one of the Department of Industry, Trade and Commerce's most effective initiatives to bring about a closer relationship between government and the private sector.

The first step in this program involved the co-operation of 5,300 business leaders who generously gave their time and effort to discuss concerns about the economy, governments, markets, taxation, transportation, R & D and other matters. These discussions involved officers of the department who visited plants and offices all across the country and into the northland.

This first step was followed, in the fall, by a massive cross-country series of meetings with about 10,000 business people to explain the array of services available to business from federal and provincial governments.

As a result of these meetings the department learned that business finds Ottawa too remote, its programs little known and its operations too slow, too burdened with red tape, too restrictive. Also criticized were the confusing duplication of programs between provincial and federal governments, too many regulations, too many bureaucrats to deal with, too many different approvals to get from the two or three (federal, provincial, municipal) levels of government.

It was discovered that business and industry felt there was no one in government representing and fighting for the concerns of business. Business wants government to occupy itself more with creating a healthy business climate than with offering more financial assistance and more regulations. Furthermore, government services should be provided as much as possible locally rather than centrally.

There was also massive discontent with government-created paperwork, particularly so among the smaller businesses. Business is also concerned about the scarcity of well-trained labour and fears that the work ethic is in danger, partly because of the unemployment insurance program. Many businessmen believe taxes and minimum wages are too high while customs and tariffs are too low. Others cited high transportation costs, inequitable freight structures and outmoded or inadequate rail and other facilities.

Industries facing especially intense foreign competition called for extensive government support and much more technological research and development in Canada. Another serious problem identified was lack of knowledge of market opportunities within Canada.

In response to this massive mound of information, the department set to work and initially, in consultation with industry and the provinces, formed 23 manufacturing and tourism task forces which submitted reports designed to get these sectors moving ahead.

A Business Centre was opened in the department in March, providing information for business people. More personnel were moved from Ottawa to strengthen the department's 11 Regional Offices and make them more responsive to the needs of business and industry.

ASSISTANCE PROGRAMS

Enterprise Development

The Enterprise Development Program (EDP) replaces a number of previous programs, including PAIT, IDAP, PEP, GAAP, FTIAP and PIDA. It is designed to increase the effectiveness of the department's industrial support efforts, and to help small and medium-sized companies become more viable and internationally competitive.

During the year contributions were approved for up to 50 per cent of the cost of 93 new innovation projects to a total commitment of more than \$17 million. Of these, 57 projects were approved by the various regional boards.

Projects covered a wide variety of industry sectors and applications came from companies throughout the country. Development of new manufacturing machinery and of electronic instruments continues to be a major interest of the companies applying.

Projects were also approved for ships components; communication equipment; sports items; automotive vehicles and parts; building components; textiles; agricultural, food, beverage and chemical processes among others.

Because of the high risk involved, not all projects succeed but the success rate continues to run about 50 per cent. These successful projects have added considerably to the sales volume of the companies involved and, in many cases, have generated a significant level of exports.

Contributions totalling \$772,000 were approved for 54 projects to assist manufacturers in the cost of feasibility studies to improve productivity. Twenty-nine projects of smaller companies were approved by the regional boards.

Twelve new design projects received \$377,000 in contributions. These projects involved increasing the companies' industrial design capability to introduce aesthetic appeal in mass-produced products. Five of the projects were approved by the regional boards.

Last resort financing in the form of loan insurance was authorized to a total of \$100,772,600 covering loans advanced by private lenders to 67 manufacturing firms. Fourteen of these loans were insured by the various regional boards.

Assistance was provided to manufacturers in all regions of the country and in all sectors. The greatest activity was in the consumer product and electrical and electronics sectors.

Adjustment assistance was particularly instrumental in supporting companies experiencing financial difficulty but deemed viable in the long term. Insured loan assistance resulted in the creation of 1,441 jobs and the maintenance of a minimum of 8,260 jobs in firms which would have otherwise reduced or ceased operations.

Eight footwear companies received assistance totalling \$234,108 on a shared cost basis for consulting studies to improve operating efficiency.

Export Market Development

The Program for Export Market Development provided \$5.7 million in repayable contributions to 960 companies to share in their costs of developing export business. This represents a 16 per cent increase over the previous year.

There were 1,853 PEMD applications received and companies reported export sales of \$1.4 billion as a result of the program. This represents a dramatic increase in sales during the year, bringing to \$2.1 billion the amount of exports generated with PEMD assistance since the program was started in 1971.

During the life of the program, 8,897 applications have been received from more than 3,800 Canadian companies. This involved a Crown expenditure of \$21.5 million against the export sales total of \$2.1 billion.

The most active sectors were commercial and institutional buildings, industrial plants, transportation and primary resources. The most active geographical areas were the Middle East and Africa, followed by Asia and Latin America.

Among the successful projects were the export of \$3.9 million of British Columbia Delicious red apples to Hong Kong; a contract to construct a 600-room de luxe hotel in Saudi Arabia valued at \$55 million; sale of \$950,000 worth of automobile wheels in the United States; a \$2 million sale of an analog control system in Spain; coal development projects for the Philippines valued at \$50 million and construction of low and medium cost houses in Saudi Arabia at a value of \$500 million.

By year-end plans were finalized to decentralize the program. Effective April 1, 1978 authority was to be delegated to the directors of all the department's regional offices to approve applications for market identification, trade fair participation and incoming buyers up to \$10,000 of Crown funds for all companies in their regions.

Industry Energy Research and Development

The Industry Energy Research and Development Program (IERD) was introduced in October, 1977, to encourage and assist Canadian industry to undertake research and development of new and improved processes and equipment that will reduce industrial energy consumption. The program operates within a \$1.5 million annual budget.

Since its inception, projects requiring total funding of \$367,000 have been approved. Further submissions under consideration have estimated project costs of more than \$9 million over the next three years. The department normally contributes up to 50 per cent of the estimated costs.

A project to assess the technical and economic feasibility of applying potential measures to conserve energy or to increase internal energy generation in a highly interactive process can lead to a significant reduction in the energy consumed (3.55 x 10¹⁵ BTUs) in the kraft pulping industry.

A project, to develop a heat transfer device which can be used in a wide range of industrial applications will provide a more efficient method for the recovery of low energy heat. Other projects under consideration at year-end offer worthwhile potential energy savings and significant reduction in environmental pollutants.

Defence Industry Productivity

Since the inception of the Defence Industry Productivity Program (DIP) in 1959, 760 projects have been contracted totalling \$612,000,000. Emphasis is placed on areas of defence technology with civil export sales potential.

Projects initiated under this program have played a major role in helping industry to develop skills on a specialized basis in areas of technology that have defence and civil applications which Canada is in a favourable situation to exploit.

Costs are shared by the department and the Canadian firms concerned and, in some instances, by the governments of other NATO countries. Among projects which have received assistance are communications and aircraft navigation systems, gas turbine engines for aircraft, flight safety and simulation equipment and information display facilities. Exports of the products of these developments continue to increase, including significant orders for such diverse applications as commercial airlines, public communications networks and television distribution systems.

During the past year the program has provided assistance to companies in Canada that are directly involved in the government plan for restructuring the munitions industries for domestic needs and for defence export purposes.

EXTERNAL TRADE

OVERSEAS PROJECTS

The Office of Overseas Projects was created as part of the departmental reorganization of 1977 to be a focal point in the department for Canadian participation in overseas projects.

The responsibility of the new office is to provide assistance to groups of companies and to individual companies to develop competitive proposals for project opportunities. The requirements of an overseas project usually bring together many disciplines, ranging from consulting engineers through equipment suppliers to construction companies and such a diverse grouping poses problems in addition to those of the project itself.

The office's activities include identification of appropriate financing for projects, analysis of risks involved and possible means of covering these and, where required, planning and execution of appropriate promotional activities to support a Canadian bid.

A major responsibility is to provide liaison for the department with the Export Development Corporation on all aspects of EDC financing for Canadian exports. The office works closely with other branches on transactions which may involve commodities or equipment exclusive to one industry sector or the direct sales of engineering consultancy or Canadian construction services.

Trade Commissioner Service and Field Operations

During the fiscal year the Trade Commissioner Service was amalgamated with the Regional Offices Branch to form the TCS and Field Operations Branch.

With its 238 Foreign Service Officers and 172 local Commercial Officers in 90 offices located in 67 countries, the Trade Commissioner Service continues to play a significant role in trade relations, both trade policy and trade development.

TCS works closely with other department officials to identify obstacles to Canadian trade and access to markets. It also reports on local economic and commercial policies and developments affecting Canadian interests.

During the year, TCS answered more than 60,865 requests from Canadian businessmen for marketing assistance and directed more than 42,697 inquiries from foreign buyers to Canadian firms. TCS posts also helped to establish 1,449 new foreign agencies and provided some 2,369 new buying connections for Canadian firms.

Collaborating with other branches, the Department of Regional Economic Expansion and provincial authorities, the TCS identified and encouraged direct investment of significant benefit to Canada. It also helped influence potential investment in Canada of \$480 million.

Business response during Enterprise Canada 77 resulted in the movement of 38 officers and 19 support staff to Regional Offices, increasing their capability to respond to the local business community.

The 11 Regional Offices intensified their work in industrial and trade development and in federal-provincial relations. They sponsored seminars and conferences on licensing, patents, joint ventures, international trade and tourism and helped to co-ordinate the programs of incoming trade missions.

In addition, the Enterprise Development Program (EDP) and the Program for Export Market Development (PEMD), sections B, C and D, were further decentralized. As a result, there has been a significant increase in the number of applications from companies for the use of department programs to improve productivity domestically and to assist the export potential for Canadian goods and services.

Promotional Projects

The Promotional Projects Program assisted 593 companies to participate in 78 offshore international trade fairs in 30 countries. Twenty-five missions took 170 Canadian businessmen to 28 countries and 19 incoming missions brought 750 foreign businessmen to Canada. A further 425 foreign buyers visited Canadian suppliers under the trade visitors section of the program and 12 technical trainees were brought to Canada for export-oriented training.

The total departmental investment in PPP was \$4.1 million. Initial returns indicate more than \$175 million in sales reported or anticipated.

Defence Programs

Canada continued to work with her allies primarily through co-operative defence research, development and production agreements co-ordinated by the department. Regular meetings were held under the Canada-United States Defence Production Sharing Arrangement.

There were also meetings at regular intervals with the governments of Britain, France, the Federal Republic of Germany, Italy, The Netherlands, Norway and Sweden. Defence co-operative efforts and programs identified as a result of these meetings represent advanced technology in communications, navigation and transportation equipment, many with commercial application.

Defence export contracts placed in Canada by NATO and other friendly countries amounted to \$533.3 million during the year. Canadian imports of defence equipment amounted to \$324.5 million.

GENERAL RELATIONS

Multilateral Trade Negotiations

The negotiations during most of the fiscal year took place against the background of the desire of the United States and other major participants to achieve some sort of broad political settlement, or at least the outline of a package, by mid-July, 1978.

In January the Canadian delegation formally tabled in Geneva statements setting out the basis on which Canada was prepared to participate in the negotiations on industrial tariffs. Subject to certain considerations and conditions, Canada indicated readiness to enter the bargaining on the basis of a "working hypothesis" similar to that being adopted by the U.S., the European Community and Japan. Canada, like the other countries concerned, has made the achievement of reciprocity in the negotiations as a whole a condition of its participation.

The most important of Canada's more specific conditions relates to low duties and to sector negotiations. In regard to low duties, to obtain a greater degree of equity on the export side Canada indicated that it is seeking, inter alia, the agreement of its major trading partners to negotiate the total elimination of duties of five per cent or less on a range of products, including resource-based products, of interest to Canada.

Another of Canada's key objectives is to achieve the greatest possible liberalization of trade and continuing security of access in certain clearly defined industrial sectors. This is designed to reduce tariff escalation and facilitate exports of products in further processed form. Canada suggested the forest products and non-ferrous metals sectors for this sort of treatment.

In agriculture and fisheries, the offers tabled in January were in response to the specific item-by-item requests which had been exchanged previously. Responses to the various requests dealing with particular non-tariff measures were also tabled.

In addition, negotiations moved ahead on possible commodity arrangements in grains, dairy products and bovine meats.

One of the major objectives in the negotiations is the reduction or elimination of the trade-distorting or trade-restricting effects of non-tariff measures and the bringing of such measures under more effective international scrutiny and discipline. In addition to the tabling of requests and offers on non-tariff measures, work proceeded on the elaboration of draft international codes of conduct governing some of the more comprehensive forms of non-tariff measures such as government procurement practices, technical barriers to trade (product standards, test methods and certification systems), customs valuation and subsidies and countervailing duties. In these areas, apart from the search for a certain degree of consistency in the way such measures are applied, a major priority is to make sure that there is an effective mechanism for international notification, surveillance, consultation and the settlement of disputes.

In short, such codes are expected to put an end to some of the uncertainty that has so far prevailed in these areas, to ensure that access to foreign markets is not improperly impeded, to guarantee that whatever measures are applied follow agreed rules and to provide those affected with an opportunity for consultation and redress.

Commodity Trade -- Multilateral

Canada participated in negotiations under UNCTAD for a new International Sugar Agreement and in intensive preparatory discussions in the International Wheat Council, leading to the negotiation of a new International Wheat Agreement (IWA).

The negotiations on sugar concluded successfully in October with the adoption of the text of a new International Sugar Agreement which entered into force on January 1, for a period of five years. Canada has signed and ratified the agreement as an importing member.

The negotiations for a new IWA are expected to conclude in 1978. Meanwhile, Canada joined with other IWA members in agreeing to a further extension of the 1971 IWA to June 30, 1979.

Canada continued to take an active part, as an importing member, in the operation of the Fifth International Tin Agreement which came into operation on July 1, 1976, and the International Coffee and Cocoa Agreements, both of which entered into force on October 1, 1976.

Canada also took part in intergovernmental consultations on a number of individual commodities within the framework of the Integrated Program for Commodities (IPC), which was agreed to at UNCTAD IV in May, 1976. Commodities for which preparatory discussion were initiated include natural rubber, jute, tea, phosphates, hard fibres, cotton, manganese, vegetable oils, meat, tropical timber and iron ore.

Although negotiations of formal arrangements for these commodities under the IPC were to be concluded by mid-1978, natural rubber is the only commodity for which negotiations are expected to begin in 1978.

Canada took an active role in discussions on copper in the IPC context and it is anticipated that an intergovernment consultative group will be formed in 1978/79.

Commodity Trade -- Bilateral

Canada reached understandings for 1978 with the United States, Australia and New Zealand regarding anticipated levels of Canadian imports of fresh, chilled and frozen beef and veal from those countries and exports of the same products to the United States.

TRADE BY AREAS

Pacific

Two-way trade between Canada and Japan reached record levels with exports to Japan of \$2.5 billion and imports of \$1.8 billion.

The first meeting of the Canada/Japan Joint Economic Committee was held in Vancouver in June, and served to identify priorities, problems and new opportunities in bilateral economic relations.

A heavy schedule of provincial and federal ministerial missions to Japan continued in 1977. Visits were made by ministers from New Brunswick, Quebec, Ontario, Saskatchewan, Alberta and British Columbia as well as by the ministers of External Affairs and Transport. The department provided substantial input to these visits as trade and economic issues figured prominently.

An active market development program, particularly in the automotive, forestry, energy and agriculture sectors, was supported by an increase in the number of trade commissioners posted to Tokyo. Support for the private sector was provided to aid the establishment of the Canada/Japan Business Co-operation Committee, a group designed to enhance private sector to private sector contact and understanding.

Trade relations with Australia and New Zealand during the year were characterized by close consultation on items where Canada or either of these two countries was considering changing the terms of access for products of interest to the other country. Trade continued to increase with exports to the two countries reaching \$478 million and imports \$445 million during the calendar year.

Canada/China trade approached one-half billion dollars (exports \$369 million, imports \$82 million). The fifth meeting of the Canada/China Joint Trade Committee was held in Peking in March. Chinese statements reflected that country's heightened development and it was agreed that Canadian industry will have an opportunity to participate where competitive in China's modernization plans in such sectors as resource development, communications and transportation.

Dr. S. Affief, vice-chairman of the Central Planning Agency of Indonesia, Bappenas, visited Ottawa in June for discussions with ITC, EDC and CIDA. Possibilities for new forms of financing were discussed, as well as major projects which Canada is pursuing in Indonesia.

Representatives of the Association of Southeast Asian Nations (Indonesia, Malaysia, Philippines, Singapore and Thailand) met with senior Canadian officials in October. The discussions covered major trade policy issues and prospects for Canadian participation in ASEAN regional projects.

A high level mineral resources mission from Thailand visited Canada in October to discuss Canadian capabilities and policies in the development of oil, gas, uranium, potash and base metals.

In April, the Minister of Commerce and Industry of the Republic of Korea visited Ottawa and held discussions concerning trading possibilities between Canada and Korea as well as possibilities for co-operation in third markets.

Africa and Middle East

Exports to Africa and the Middle East expanded significantly in 1977, increasing by 25 per cent to \$1.1 billion. Algeria became Canada's largest market in the region with sales totalling \$186 million. Exports to Iran were \$144 million and to Saudi Arabia \$108 million.

The Minister visited Iran, Saudi Arabia and Israel during May. In each country he met with senior ministers to discuss trade and economic matters. He was accompanied by Canadian businessmen who had specific business interests to pursue.

During the visit to Saudi Arabia, the Minister signed a memorandum of understanding which subsequently led to a \$100 million contract for rural electrification between a Canadian consulting engineering firm and the Saudi Electricity Corporation. This contract was supported by the Export Development Corporation.

The second meeting of the Canada/Saudi Arabia Joint Trade and Economic Committee took place in Riyadh in February. The committee reviewed progress in the sectors discussed at the first meeting (construction, power generation and transmission and mineral resource development) and introduced new sectors, including transportation, telecommunications, astronomy and cost re-imbursable technical assistance.

Canada's first Joint Economic Committee meetings with Israel were held in Tel Aviv and negotiations were undertaken to establish similar consultations on a regular basis with Algeria and Nigeria.

Trade promotion in the region included a wide range of missions and the department's participation at fairs in Algeria, Morocco, Iran, Iraq, Turkey and Nigeria. A ministerial trade mission involving nearly 30 Canadian businessmen visited Algeria and Morocco in the early autumn. During this period arrangements were made for some 13 separate visits to Canada by ministers of cabinet rank from African countries.

In December, the government announced its intention to phase out official support for commercial activities by Canadian companies in South Africa. Canadian trade commissioners were withdrawn and the commercial offices in Johannesburg and Cape Town were closed. A decision was taken to open trade offices in Kuwait, Senegal and Tunisia to exploit the new trade opportunities.

Western Europe

Canada's favourable trade balance with Western Europe was maintained in 1977. Exports rose five per cent to \$5.3 billion and imports showed a 12 per cent increase to \$4.5 billion. Britain continued to be Canada's largest market, accounting for 36 per cent of the total.

Industrial materials and agricultural products comprise the bulk of Canada's exports to Western Europe. Finished goods make up about 12 per cent of the total although the latter form close to two-thirds of the region's exports to Canada.

The European Economic Community (EEC) is the world's largest trading entity (almost one-quarter of world trade, excluding trade among member countries). Its population of about 260 million generates almost one-fifth of the world's output of goods and services.

The Community as a group is Canada's largest trading partner after the United States, with exports of \$4.7 billion and imports of \$3.6 billion in 1977. The EEC as a whole is Canada's second largest source of investment capital, with 15 per cent of direct foreign investment. The potential for trade, investment, intercorporate links and scientific and technological exchanges is, however, far from fully realized.

A major objective of the department is to create and maintain a favourable environment for Canadian business to pursue its interests in the region. Efforts found expression in three broad areas during the year:

1. To safeguard and improve its access, Canada continued to look to the current round of multilateral trade negotiations, in which the EEC is also an active participant. In this context, the department identified export opportunities in Europe that would benefit from concessions in these negotiations.

2. To promote exports to Western Europe, more than one-fifth of the trade commissioner service officers abroad were deployed in 22 posts there. More than 40 per cent of the department's fairs and missions budget went to Western European projects. The department took part in 25 fairs which, because of the worldwide audiences many European fairs attract, also helped support Canada's export promotion efforts elsewhere. It also sponsored several missions to and from the region. More than 200 Canadian firms took advantage of the department's program for Export Market Development in the area.

3. The Canada/EEC Framework Agreement for Commercial and Economic Co-operation, which came into effect in October 1976, experienced its first full year of operation. It provides a mechanism for consultation and co-operation between Canadian and EEC businessmen and officials. Sectors are being identified which present possibilities for industrial co-operation between Canadian and European firms by way of joint ventures, investments, licensing arrangements, exchanges of technology and arrangements which expand and diversify trade. Working groups are active in forest products, metals and minerals, aeronautics, computer peripherals and telecommunications and nuclear equipment. Canadian and European companies, officials of the Community and of the federal and interested provincial governments are participating. The Joint Co-operation Committee, which usually meets annually to review activities under the Framework Agreement, held its second meeting in Ottawa during the visit in March of Roy Jenkins, President of the EEC Commission.

In parallel with industrial co-operation activities with the EEC generally, Canada has been working along bilateral lines for further co-operation with particular Western European countries, including Britain, Denmark, France, the Federal Republic of Germany, Italy, Finland, Sweden, Norway, Spain and Greece.

Complementing activities under the Framework Agreement, the department has made a special effort to inform Canadian businessmen of economic conditions and trade opportunities in Western Europe. In March, 1977, members of the Minister's Advisory Council visited the EEC Commission in Brussels for meetings with high level commission representatives.

This visit was enlarged upon in November when the Minister led more than 150 Canadian businessmen, journalists, academics and provincial representatives to Brussels for a series of in-depth discussions with the commission.

Both visits helped to clarify for the Canadian business community the objectives, organization and current trends of the EEC. They also served to demonstrate the serious interest of Canadian businessmen in closer trade and economic relations with Europe.

In addition, in late 1977 under the general umbrella of Enterprise Canada 77, a series of seminars ("Perspective on Western Europe") was held in major Canadian centres. Doing business in Western Europe was the theme of the seminars, which featured senior trade commissioners, department product and market access specialists and provincial representatives. Several hundred Canadian businessmen took part in group discussions and private interviews.

Several access matters were raised with EEC and individual countries, including problems faced by Canadian producers of cheese, malt, flour and turkey hatching eggs as a result of subsidies to EEC producers or restrictive measures under the Common Agricultural Policy.

Other issues included the alleged dumping of chemical wood pulp and kraft linerboard by Canada in the EEC, accelerated anti-dumping procedures in the EEC on steel, gift shipments of confectionery to Britain and the tariff classification of frozen blueberries by Germany.

Canada held semi-annual consultations with the EEC Commission and the Canada/U.K. Continuing Committee also met. Bilateral and multilateral trade and economic matters were reviewed at a senior level.

Eastern Europe

Canadian exports to Eastern Europe declined by 20 per cent in 1977 to a level of \$635 million due to sharply reduced grain shipments to the Soviet Union, Romania, the German Democratic Republic and Czechoslovakia. Imports from the region increased marginally from \$206 million in 1976 to \$213 million in 1977. Grain continued to be the major commodity in Canadian sales and accounted for 67 per cent of the total.

The value of non-grain shipments continued to increase over previous years and reached a level of \$197 million, of which approximately \$80 million comprised end products. The Soviet Union maintained its position as Canada's largest market in Eastern Europe, accounting for 56 per cent of total exports.

Joint Canadian/Soviet working groups carried out an active program of meetings and exchanges throughout the year in line with the objectives for furthering economic and industrial co-operation under the Canada/U.S.S.R. long-term economic agreement. Negotiations were also opened on a long-term program as provided for in the agreement, identifying specific areas where trade and industrial, scientific and technological co-operation could be expanded.

During a visit to Canada by the Polish Minister of Foreign Trade in April, a revised grains agreement was signed providing for the purchase by Poland of between 1.5 and 2.4 million metric tons of grains over a three-year period. A multi-million dollar contract covering the supply of four semi-container vessels was also signed with a large Canadian shipbuilding firm.

A number of high-level missions composed of senior officials of Eastern European governments, including the Czechoslovak, Romanian and Hungarian Vice-Ministers of Foreign Trade, visited Canada for trade consultations with Canadian officials.

The consultations provided an opportunity to emphasize Canadian supplier capabilities of interest to the countries concerned. Romania, for example, had expressed an interest in importing pulp and paper equipment and coking coal. Orders for more than \$7 million worth of pulp and paper equipment have been signed and the first order of Canadian coking coal to Romania was shipped at the end of 1977. This has been followed by further shipments worth more than \$8 million.

Annual consultations held with trade officials in Poland pinpointed promising projects over and above the pulp and paper mill complex that is Canada's largest single project in Eastern Europe.

Effective January 1, a \$285 million line of credit covering a period of two years was extended by the Export Development Corporation to the Polish Bank Handlowy to cover the sale of Canadian goods and services to Poland.

United States

Bilateral trade between Canada and the United States increased by some 20 per cent to nearly \$60 billion. Canadian exports reached \$30.2 billion and imports were \$29.5 billion.

Trade relations with the U.S. continued to be conducted in a positive and co-operative atmosphere. Protectionism in the U.S., although strongly resisted by the Administration, was of continuing concern. There was a sharp increase in the number of legislative initiatives at both federal and state levels to introduce new "Buy American" preferences for domestic suppliers to governments and government funded projects. Other actions of concern against imports included steel, fish, metals (zinc and copper), refined sugar, industrial fasteners, nails, offset paper, silicon metal and cement.

Bilateral consultations were held with the U.S. authorities relating to Canadian action, taken under Article XIX of the GATT, on certain clothing and footwear items.

U.S. tax treatment of expenditures relating to conventions held outside the U.S. continues to be a matter of serious concern which has been discussed with the U.S. Government at the highest levels. U.S. legislation enacted in 1977 has resulted in the cancellation of plans to hold a number of U.S. based conventions in Canada.

The department continued to provide advice and assistance to Canadian exporters to encourage them to broaden their activities in the U.S.

The Western Hemisphere Bureau enlarged its service to assist Canadian exporters faced with difficulties regarding the U.S. customs tariff and other market access areas (labelling, food and drug regulations, etc.) and sought to maintain and improve general access to the U.S. market.

As part of Enterprise Canada 77 the department held a series of 11 specialized seminars across Canada. Staffed by officers from our trade posts in the U.S. and from the department, these seminars dealt with marketing intelligence and market access. By invitation, officials of the United States Customs Service also participated in nine of the meetings, providing additional advice and guidance on questions of market access.

The department continued to pay special attention to markets for automotive parts and mass transit equipment. In addition to the usual market development support, exports of furniture, machinery and clothing were promoted by means of trade fairs in both countries and assistance to incoming buyers.

The United States, where the department maintains 16 trade offices in addition to the Embassy in Washington, is by far Canada's largest trading partner, taking 69.7 per cent of total Canadian exports. Sales in 1977 were 20.1 per cent above 1976. Leading items were autos, trucks, automotive parts, natural gas, lumber, newsprint, petroleum and wood pulp.

Latin America

Canadian exports to South America and Mexico reached a record level of \$1.3 billion, an increase of 19.5 per cent or \$200 million over the previous year. Two of Canada's major markets in the region showed substantial increases in purchases from Canada --Venezuela up to \$542 million from \$373 million in 1976, and Argentina to \$105 million from \$47 million in 1976. Exports to Mexico remained virtually the same at \$215.9 million, despite the economic difficulties encountered by that country and the attendant resistance to imports.

Total trade with Brazil, our second largest trading partner in Latin America, continued to grow and reached almost \$500 million in 1977 while at the same time Canadian exporters continued to expand their share of the Brazilian market.

Canada's expanding relations with the region were highlighted by the ratification of the Canada/Colombia trade agreement which lays the groundwork for expansion of our bilateral trade.

The third Canada/Mexico Ministerial Committee Meeting was held in Ottawa in November and led to an agreement between the Minister of Industry, Trade and Commerce and the Ministry of Industry and Commerce for Mexico on the establishment of a consultative group on trade and industrial matters which was instructed to identify priority sectors in the new Mexican Development Program in which Canadian companies could participate. A meeting of this committee was scheduled for April, 1978.

The Minister visited Venezuela in June to finalize negotiations on the Canadian share of the design and construction of the 700 kilometre railway. This cleared the way for the signing of a consortium agreement in December between the Canadian, Spanish and Venezuelan groups which will lead to negotiations of a first contract for this major project worth \$400 million in exports from Canada.

The first visit ever of a Paraguayan minister took place during 1977. Commerce Minister Dr. Ugarte Centurion met with the Minister and government officials in connection with Canadian participation in the major bi-national Itaipu hydro-electric project and with regard to Canadian involvement in Paraguayan industrial development plans. Dr. Ugarte travelled to Montreal and Toronto for meetings with businessmen in a variety of industrial sectors.

Canada/Brazil relations continued to grow in trade and investment. Brazil is now the second largest recipient of Canadian foreign investment. During the visit to Canada of the Brazilian Agricultural Minister there was agreement to establish an agricultural sub-committee of the Canada/Brazil Joint Economic Committee. Late in the year preparations were undertaken for a meeting of an expanded JEC to be held in Brasilia in April, 1978.

The department was extensively involved in the CALA VI, the annual Canada/Latin American Association conference which brings together businessmen from Canada and Latin America and which included trade commissioners from all posts in the region.

The Minister was the keynote speaker at the conference, which was attended by some 400 businessmen. This was the largest attendance in CALA's seven-year history and signified a growing interest and awareness in Canada of Latin America.

Caribbean and Central America

Canadian exports to the Caribbean and Central America decreased some \$2 million to \$556 million. This is largely attributable to a drop of some \$40 million in sales to Cuba, which totalled \$194 million.

In the Commonwealth Caribbean exports increased 16 per cent to \$153 million, mainly as a result of increased exports to Trinidad and Tobago. There were also good gains in Barbados and the Leeward-Windward Islands, which more than offset the decline in Canadian exports to Jamaica and Guyana.

Sales to the non-Commonwealth Caribbean decreased to \$316 million from \$345 million primarily because of deterioration in the Cuban market. Sales to Central America increased by six per cent to \$87 million.

The low level of world sugar prices over the past year continued to affect Canadian sales to Cuba and the Dominican Republic. However, favourable world prices for their main export commodities (coffee and bananas) benefited the foreign exchange balances of most of the Central American countries.

Canadian firms are pursuing a number of major projects in the region. Two of particular interest are a large steel mill in Trinidad and a railway project in Costa Rica. These are near the contract stage and Canadian firms have excellent chances for participation. The mining, hydro-electric, transportation, forestry and tourism sectors also present opportunities.

Severe balance of payments problems continued to plague Jamaica and Guyana. As a result, both countries further tightened their import control regimes. Foreign exchange difficulties have also caused numerous and, at times, lengthy delays in the clearing of accounts of foreign suppliers. (It is expected that the way will be cleared for further assistance to Jamaica following conclusion of that country's current discussions with the International Monetary Fund.)

A number of meetings took place during the year. Negotiations between Canadian and Caribbean Common Market (CARICOM) officials continued with a view to preparing a draft trade and economic co-operation agreement for consideration by ministers to replace the 1925 Canada/West Indies Treaty and its 1966 protocol.

At the end of October, a Guyanese delegation, headed by Prime Minister Burnham, visited Canada to discuss economic relations.

The second meeting of the Canada/Cuba Joint Economic Committee took place in Havana in June at the official level.

In view of the number of hydro-electric projects planned in Central America, the department held an electric power seminar in San Jose, Costa Rica, during March. The seminar provided an opportunity to demonstrate Canadian capabilities to Central American utilities officials.

DOMESTIC SERVICES

BUSINESS SERVICES

Advancing Management Efficiency

Information provided through Enterprise Canada 77 sparked a new influx of requests for the department's Interfirm Comparison Program. Dozens of firms in various sectors asked that their performance be measured against that of their competitors on the basis of the proven methodology developed and used by the department. Business management welcomed the program as a reliable means of evaluating productivity performance, of assessing the effectiveness of their strategies and identifying those aspects of their operations which offered opportunity for corrective action and increased competitiveness.

Eleven comparisons were undertaken with some 160 enterprises participating. The sectors included several parts of the plastics processors, iron foundries, tanneries, the New Brunswick saw milling industry, manufacture of farm implements, chemical film and fabric, aluminum windows, wooden sash and door, and hosiery. For the first time in 1977 the entire collection, processing and analysis phases of the program were contracted out to private firms of consultants who worked under direction and control by ITC officers.

Another major initiative was the development of a computer system for processing interfirm comparison data. The use of the system should significantly reduce the amount of work involved in processing of data but will be of particular value in broadening the analysis and improving the quality of reports.

A third highlight of the program was the progress made toward the development of international comparisons involving Canadian and U.S. businesses.

Assistance Through Universities

The department has continued to assist in the improvement of business management, in co-operation with Canadian universities, through the development of management courses and the establishment of centres of international business training.

Management advisory institutes were in operation at Laval University and the University of Alberta. Centres for international business studies were attached to Dalhousie University, Hautes Etudes Commerciales, University of Western Ontario and the University of British Columbia. In addition, through financial assistance to the international student organization of AIESEC, the department has endeavoured to help Canadian university students in economics and commerce to gain practical experience in international business.

Industrial Growth Through Market Development

International competition in world trade continues to emphasize the importance of the department's import analyses and market surveys for Canadian industry. These are designed to find opportunities and further industrial development by providing significant market segment data to industry, which is not otherwise available, and thereby allowing normal competitive action to be taken.

Of the 150 requests for surveys which were accepted and conducted this year, about 110 were undertaken to assist directly companies with industrial development opportunities or to prevent possible loss of jobs.

The remaining were surveys to monitor imports of sensitive goods, to identify possible dumping of goods on the Canadian market, to provide data for development of industry policies and other isolated end uses. The subjects covered included machinery, chemicals, health care products, metal and metal products, wood, rubber and plastic products, textiles and leather goods.

Although it is difficult to establish the full result or value of these studies, some estimates are possible. For 97 surveys published during the year, a review was conducted of the results or contributions this data made to the initial client. Although this survey was conducted a mere three months after the end of the year, the results indicate that at least 1,580 jobs were either created or retained in 30 firms following action and decisions based on the information provided. This represents approximately \$94 million of sales for firms in Canada. Put another way, it cost about \$50 to develop or retain each permanent direct manufacturing job in this manner.

Facilitating Customs and Tariff Procedures

The department has continued to seek the best use of the tariff for the benefit of Canadian interests and to streamline the relevant procedures. The objective has been to bring about the maximum possible extension of production in Canada while striking an equitable balance between the interests of the producer and those of the consumer.

Applications from Canadian companies for remission of customs duty and the introduction of temporary tariff items have been examined in co-operation with the Department of Finance and Revenue Canada. The feasibility of legislative improvements has also been under review.

DESIGN CANADA

Design Canada organized three National Design Council meetings and six advisory committee meetings during the year. The members of these committees continued their work in the context of their mandate focussing on the role and the importance of design in product development in companies as it relates to the present and the future corporate growth strategies.

Canadian Capability Assessed

Design Canada has undertaken an assessment of the design and product development capability in Canadian industry in recognition of the fact that they are major factors contributing to the competitive strength of manufacturers.

This analysis, together with studies of the design and product development situation in specific sectors, has provided the department and the council with a basic appreciation of problems of and opportunities for product design development. In addition, it identifies the problems and opportunities encountered by companies that undertake or may wish to undertake design and product development on a sustained basis.

Design Canada formulated and implemented in five provinces an experimental employment opportunities in product development program under the department's Federal Labour Intensive Program (FLIP) endorsed by the National Design Council. The data to date indicates that at least 1,000 qualified young people will be placed in Canadian industry in 1978 as a result of the program.

Incentives

The Design Canada Scholarships program for Canadian students awarded 15 scholarships totalling \$100,000. This will enable students to undertake advanced design studies in international schools, raising the level of Canadian professional product designers.

In the continuing effort to help improve the design of Canadian products, six special case studies were developed of well-designed Canadian products. The studies were circulated nationally with the intention of promoting Canadian design capability.

The co-funded Federal/Provincial Product Design and Development Program established in 1974 was extended to include six provinces. In 1977 Quebec joined the program and it is anticipated that other provinces will join in 1978.

Design Canada provided the Federal Business Development Bank with a product design audio-visual presentation for use at regional director information meetings in Montreal, Winnipeg, Halifax and other locations. A continuing advisory service on the subject of design has served the department, other federal departments and agencies, and the private sector.

A preliminary program for the implementation of industrial design in a small Colombian manufacturing establishment was proposed in co-operation with Colombia and CIDA.

Design Canada in conjunction with the National Design Council created a task force from industry and education to report on the capability of Canada's formal, informal and professional education systems to meet the country's current and projected industrial needs.

The National Design Council's design industry committee with Design Canada and Statistics Canada has undertaken a survey of 632 companies engaged in design. The object is to establish a national data base on the structure and volume of business carried out by Canadian design firms.

Internship Program

Design Canada developed an internship program for post-secondary students in small business manufacturing and product development, called "Operation Design Canada". The program ran for four months from May 1, 1978, and provided employment for 328 students in 21 communities across Canada. Each province had at least one project.

SMALL BUSINESS

Following nation-wide discussions between the Minister of State for Small Business and small business people early in 1977 and extensive research carried out by the Small Business Secretariat, the federal government announced in September a 10-point plan aimed at enhancing small enterprises.

Accepting the argument raised by small business people in meetings with the Minister and officials that the answer to the problems facing small business did not lie in additional direct support programing or in "umbrella legislation" but in the improved management of an already large national commitment to small business, the government undertook the following initiatives:

- . Improved co-ordination of existing programs among federal agencies and between federal and provincial governments, following consultation with the provinces, to reduce overlapping among programs now in place.
- . A heightened awareness among officials at all levels of the specific characteristics of small businesses and their owners so that the effect of government actions on the small business community may be assessed before they are taken.
- . Easier access for small business operators to government information and the presentation of the information in a comprehensive and usable format.
- . A study of the applicability of the U.S. small business investment company mechanism in the Canadian context to function as a means of making more long term equity financing available to small business.
- . A feasibility study of pilot projects which would provide a mechanism to bring together entrepreneurs, investors, academics, technological experts, government representatives and others whose activities can have a bearing on small business.
- . An in-depth study of taxation measures affecting small business, including tax treatment of capital gains when a family business passes from one generation to another, and the tax situation of an entrepreneur's relatives in his business.
- . An examination of means to assist small business through government procurement policies.
- . An analysis of measures to bring about closer and mutually beneficial co-operation between small and large firms.
- . A major study of government paperwork with the aim of determining how much publicly collected data are usable or dispensable.

. Publication by the government of a statistical handbook on small business in Canada and an increased effort to make statistical data more available to small business in a form useful for making management and marketing decisions.

Steps Taken

By March 31, 1978, the Small Business Secretariat had made considerable progress in the development of this strategy. The Minister of State announced the government's program for the reduction of paperburden and the creation of a Paperburden Reduction Office to co-ordinate the government's ongoing efforts in this area.

In addition, an agreement with Statistics Canada, to become fully operational by 1981, will result in the reduction of reporting for nearly 350,000 small firms. Further, the government sponsored legislation which would amend the Corporations and Labour Unions Returns Act to free some 70,000 firms from having to file returns under the act.

Consultations regarding small business policies and programs have been held with provinces, all of which place a high priority on development of small business. A Business Centre, with a toll-free telephone system linking it to all parts of the country, has been inaugurated to make it easy for the business community to get information on government programs and services. This facility has been particularly useful for small business people. Various tax measures designed to assist small business have been adopted as a result of advocacy work by the Small Business minister.

Work has continued on studies of the equity financing environment and of government procurement policies with respect to small business. The secretariat, with the co-operation of Statistics Canada, produced early in the year a handbook entitled "New Statistics on Small Business", in fulfillment of the last point of the 10-point strategy.

Substantial improvements have been made to the Small Businesses Loans Act (SBLA), the administration of which was transferred to the Department of Industry, Trade and Commerce from the Department of Finance.

Late in 1977, the Minister of State announced that an agreement on a more flexible interest rate formula for loans guaranteed under the SBLA had been finalized with the Canadian Bankers' Association. As of March 1, 1978, the rate of interest on new SBLA loans is set at one per cent over the prime lending rates of chartered banks and fluctuates with changes in the prime lending rates.

In addition, the scope of the SBLA has been expanded considerably following legislative amendments. The eligibility criteria of the Act have been expanded and the maximum loan limit has been increased to \$75,000. These changes make the SBLA program more attractive to lenders as well as a more effective instrument to meet the term financing requirements of small business.

In 1978/79 it is intended to move still further in the implementation of the strategy for small business. A major thrust in the equity financing environment for small business is expected. Action is also expected on a number of other fronts including new taxation measures for small business, more procurement subcontracting to small business, greater employment opportunities for university and community college graduates in small business, and better statistical information on small business.

TECHNOLOGY

Technological Innovation Studies in Universities

Nine awards to eight universities were made under the terms of the Technological Innovation Studies Program during the year. Research reports and books resulting from this program are being used to an increasing extent by the department. Notable examples are a report on the development and operation of Canadian consortia in the Middle East and a book on the attitudes of furniture manufacturers toward exports.

Industrial R & D in Universities

For the past 10 years, the department has provided grants to encourage universities to undertake contract research for industry and to establish technical capabilities in specific areas of importance to Canadian industry. As a result, nine industrial research institutes and five centres of advanced technology have been established at universities in Nova Scotia, Quebec, Ontario, and Manitoba.

During the past year, grants were made to support five of these organizations. The remainder now function without department support. No new organizations were established but discussions regarding additional centres of advanced technology have been held.

Industrial R & D in Provincial Organizations

Five centres of advanced technology have been established in recent years at provincial research organizations in Nova Scotia, Ontario, Manitoba and British Columbia. Grants were made for the support of four of these centres during the year.

In the case of the Centre for Ocean Engineering at B.C. Research and the Canadian Food Products Development Centre at the Manitoba Research Council, the grants were used largely to provide special capital facilities and equipment.

Industrial Research Associations

Support has continued for the operation of the Canadian Welding Development Institute, the Canadian Gas Research Institute and the Sulphur Development Institute of Canada. Consideration is currently being given to the establishment of another industrial research association.

Computer Aided Design and Manufacturing (CAD/CAM)

Over the next decade, CAD/CAM will be an important factor in improving industrial productivity. Accordingly, the department has established a technology advancement council for CAD/CAM to advise the department and to assist industry with the introduction and use of this technology.

Space Activities

The department participated, with the Department of Communications and other departments and agencies, in several initiatives aimed at obtaining increased business for the Canadian space industry. These activities included negotiations with the European Space Agency concerning closer co-operation with that organization; participation in a study undertaken by the Treasury Board Secretariat on Canada's space program, with particular emphasis on the future requirements, scheduling and organization of the program; interdepartmental discussions on the creation of a prime contracting capability for satellites in Canadian industry. The department also facilitated export sales of Canadian-manufactured communication satellite ground stations.

Metric Conversion

The department is responsible for co-ordinating the planning and implementation of metric conversion in the federal government through the Interdepartmental Committee for Metric Conversion (ICMC). During the year, the first metric conversion omnibus bill received Royal Assent and the Minister sponsored the second metric conversion omnibus bill. The Plan for Metric Conversion within the Government of Canada was approved by the ICMC and Metric Commission Canada. A metric training program for general and administrative personnel in the Public Service has been developed and the Metric Conversion Plan for the Department of Industry, Trade and Commerce has been approved.

Standards

The development of policies and programs for standardization continued as one of the department's responsibilities. Major activities have included a survey of Canadian involvement in multilateral certification arrangements on behalf of the ECE and preparation of the report "Proposals for Implementing in Canada the Proposed GATT Code of Conduct for Preventing Technical Barriers to Trade".

The department has continued its efforts in support of reduction of trade barriers caused by standards and related test methods and certification procedures through participation in the standardization activities of intergovernmental organizations such as ECE and GATT.

AGRICULTURE, FISHERIES, FOOD PRODUCTS

Agricultural and Food Products Market Development Assistance Program (AGMAP)

During the past five years the Agricultural and Food Market Development Assistance Program (AGMAP) has committed close to \$5.5 million to encourage the private sector to undertake an aggressive approach to the development of new potential markets and deeper penetration of existing markets for their products.

The program is jointly administered by the Department of Industry, Trade and Commerce and the Canada Department of Agriculture. Major thrusts with cost sharing under the program have been the consolidation of organizations to carry out market development activities more effectively and the development of export markets for primary and processed agricultural products.

The program has supported 48 projects of which 18 are domestic and 30 directed at the export market. Nine of the projects are cost shared with AGMAP, provincial governments and applicants. The fruit and vegetable sector has had 17 projects, followed by livestock and meats with 12. The remainder of the activity has been divided between special crops with six, dairy six, seeds five and feed with two.

Processed Foods

Canadian food and beverage products were promoted in Japan through department sponsored in-store promotions in Japan's leading department and chain stores. Japanese restaurant menus featuring Canadian foods were also arranged. In addition, the department assisted Japanese buying missions to visit Canada to purchase food and beverage products.

Seven sales presentation meetings for processed foods and beverages were held in the United States in Minneapolis/St. Paul, Cleveland, Seattle, Buffalo, Detroit, Philadelphia and Chicago. At an in-store supermarket promotion arranged with a leading Minneapolis/St. Paul retailer more than 20 Canadian companies sold their products.

Blueberries

The department, in conjunction with Agriculture Canada, DREE and provincial departments of agriculture in Quebec and the Atlantic Provinces, has been encouraging the lowbush blueberry processors to establish an industry organization.

An informal association is now being established. There is a possibility of a formal association being established in November, 1978. The association will exchange information with a view to improved quality control and increasing domestic market promotion for blueberries.

Apples

The Canadian apple industry enjoyed strong domestic and export markets for its 1977 crop. A contributing factor was an unusually strong demand from Britain and European countries which had a shortfall in domestic supplies. The department is represented on the federal/provincial/industry steering committee for the Canadian Apple Market Development Project which was formed in 1977.

Tobacco

Industry, Trade and Commerce was represented and assisted in the Ontario Flue-Cured Tobacco Board's annual negotiations with the Tobacco Advisory Committee of the British tobacco manufacturing industry. A subsequent tour of competitor tobacco producing areas in Argentina and Brazil was organized by the department. As a result of a production and export pricing plan formulated during the year exports of leaf tobacco should reach a new record level in volume and value during the next year.

Cheddar Cheese

In July, the department sponsored a visit to Canada of British importers and retail buyers of Canadian aged cheddar cheese. The group assisted in identifying and defining the range of cheese that is preferred and accepted in Britain. The visitors were shown the favourable changes that have occurred in Canada at both the farm and factory level in recent years.

Cattle, Semen, Fertilized Ova and Swine

Canadian dairy and beef cattle, semen and fertilized ova were promoted by the department in an exhibit at the Novi Sad Agricultural Fair, Novi Sad, Yugoslavia. The department also organized livestock seminar presentations in Hungary and Yugoslavia to develop further exports of purebred livestock and semen to Eastern Europe.

A Canadian information booth was sponsored at the Royal Highland Cattle Show and at the International Swine Exhibition in Italy. A survey of markets for cattle and swine in North Africa was carried out.

In addition, incoming beef and dairy cattle missions were organized to further develop exports of purebred livestock and semen.

Fisheries

The department continued to contribute financial support to the North Atlantic Seafood Association for the promotion of consumption of groundfish in North America.

Fisheries promotions were organized by the Department in London, Paris, Antwerp, Hamburg, Frankfurt, Zurich, Boston and New York. A technological mission was arranged to investigate the opportunities for further processing of fishery products destined to the Japanese market.

The department participated in bilateral fisheries negotiations with the European Economic Community and Japan and in the Canada-Scandinavia Groundfish Consultations.

Position papers were developed for the multilateral tariff negotiations in Geneva.

Furs

Canadian furs were promoted on the international market through department participation in the international fur fairs in Frankfurt, Germany, and Milan, Italy.

Chemicals

Chemical industry sales improved in all sectors, with the strongest increases in the fertilizer chemicals and plastic and synthetic resin sectors. The overall value of factory shipments increased by 11 per cent, or about six per cent in constant dollars, which was almost equal to the increase in the apparent domestic market.

In chemical products the adverse trade balance continued to expand and in 1977 amounted to approximately one billion dollars. To some degree the expansion of the trade deficit was limited by increased export sales of potash and other fertilizer materials.

Under the continued pressure of cost increases, net income was almost unchanged from the relatively low level experienced in 1976. Labour employment increased fractionally while wages rose in the industry by an estimated 11 per cent. Prices increased by just over five per cent.

Petrochemicals

Canada's first world-scale petrochemical refinery was commissioned in the fall. This facility at Sarnia, Ontario, will supply basic petrochemical feedstocks to three new derivative plants which also began operations during the year.

The first polypropylene plant in Canada started production in Montreal and construction continued on a second polypropylene plant in Sarnia. This is scheduled to start up in early 1979. In Alberta, construction of a new ethane-based ethylene plant and derivative petrochemical plants progressed favourably. Start-up is scheduled for 1979.

The combined new petrochemical investment in Ontario and Alberta is expected to reach a total of \$2.5 billion. Although surplus petrochemical capacity internationally is expected to bring pressure on Canadian markets for a number of years, these new facilities should allow Canadian producers to compete effectively and reduce the level of imports substantially.

CONSTRUCTION AND CONSULTING

In response to the growing importance of the construction and service industries as an impetus to Canadian earnings at home and abroad, and in recognition of the complementarity of the design, engineering and construction functions, the department has created a focal point for co-operation with the industry in the establishment of a new Construction and Consulting Services Branch.

The branch has three divisions. The Construction Division serves the interests of Canadian contractors and suppliers in Canada and abroad. The Consulting Services Division represents consulting engineers, architects, management consultants, etc. The Capital Projects Division is responsible for implementing government industrial development policy.

The Secretariat of the Construction Industry Development Council was established in 1970 to improve relations among all components of the construction industry and has been attached to the Construction and Consulting Services Branch.

The branch is responsible for advising companies of new opportunities to expand their sales, improve their operations and facilities and to enter new markets through participation in department advisory and assistance programs, including introduction to prospective overseas partners and clients. The branch provides a forum for Canadian companies offering new solutions for industry problems through industry-government co-operation.

Consulting Services

The Consulting Services Division is the focal point in the department for the consulting and technical services industries, which include consulting engineers, architects, aerial surveyors, management consultants, agrologists and other professional services. The division continued its role of providing promotional and project support to consultants in the international market while increasingly directing its attention to certain domestic issues.

The department, in co-operation with the Association of Consulting Engineers of Canada (ACEC) sponsored a study of the consulting engineering industry in Canada. The study provides a perspective of the industry as well as an indication of its future prospects.

The department is giving its full support to the second statistical survey of the consulting engineering industry to be performed by Statistics Canada for 1978. The first survey, in 1974, was initiated by the department in close co-operation with ACEC. The results were well received by both government and industry alike and showed that consulting engineering is an important sector of the new Canadian economy. The existing information requires updating and the new survey will also provide a more elaborate data base in conjunction with the industry study to develop a better appreciation of this significant sector.

During February and March, 1978, the first fact-finding mission undertaken as a joint project between ITC and ACEC was launched. This mission focussed on Arab banks. Its purpose was to learn about the operations of these banks, the types of projects they finance, and the opportunities for consultants, and to make recommendations for follow-up activities.

The division processed about 400 PEMD applications. The geographic regions for which PEMD support was provided include, in descending order of number of applications, Africa, Latin America, Asia, Middle East, Europe, the Caribbean and the United States. The project sectors included industrial, transportation, municipal, institutional and commercial buildings, forestry and mining.

Construction

The Construction Division is responsible for activities related to the building process, that part of construction carried out by developer/builders, general contractors and trade contractors. Sectors include engineering construction, building construction (commercial, industrial, institutional), housing and building systems and components. Some 100,000 firms are included with annual value of work exceeding \$35 billion. The division's activities include policy and program development, program administration, industrial and export development (construction missions).

The division is also concerned with the development of the solar energy industry -- the manufacture and installation of solar equipment and components.

The division is carrying out an ongoing work program to improve the productivity and efficiency of the construction industry. Elements include computer applications in construction, standardization, management education, industrialization of the building process and market development.

Capital Projects

The Capital Projects Division is responsible for implementing department strategy for maximizing benefits for Canadian industry from domestic projections. Discussions have been held with many resource development firms to ensure that these projects provide Canadian-based industry with participation opportunities and contribute to the development of independent, ongoing firms in the manufacturing and service industries. Projects in which the division has been involved include the Alaska Pipeline, Liquefied Natural Gas (LNG) Arctic Project, heavy oil projects in western Canada and offshore exploration programs in the Arctic and off the east coast.

The division also supports the Advisory Committee on Industrial Benefits from Natural Resources Development, which is chaired by the department and is in its third year of operation. There has been a significant increase in the involvement of Canadian firms in supplying equipment and services to Canadian resource development projects, and considerable progress in the development of Canadian capabilities to undertake the engineering, procurement and construction of very large projects.

Construction Industry Development Council

This council provides advice to the Minister on any matters of concern to the construction industry in order to improve the effectiveness of the industry. The secretariat of the council, with the support and co-operation of the branch, has improved communications within and about Canada's construction industry.

ELECTRICAL AND ELECTRONICS

Product Innovation

The department continues to support various computer peripheral equipment manufacturers. The bulk of the projects consists of technical innovative systems using computer technology to solve specific business problems.

Canadian companies show a high degree of initiative in adapting this technology to resolve problems associated with the use of software with some of the most advanced pieces of computer hardware. Computer software and specific system development are considered good business prospects for this sector.

In the areas of postal automation and specialized instrumentation such as medical instruments and special control systems, product innovation has been increasing. Because international competitors are constantly increasing technology levels in their products, Canadian industrial R&D has also been increased: it is critical to the expansion of those world competitive industries and ITC and other government support in this field is continuing.

Through its R&D and market support programs, the department is assisting the Canadian telecommunications industry to maintain its competitiveness in domestic and world markets. Product R&D support was provided in the areas of voice and data switching, signal processing and transmission and mobile radio, rural communications and TV broadcasting.

Avionics and defence electronics R&D expenditures rose only slightly. In real terms this indicates a static situation, due to the high inflation rate. This is a matter of concern since these high technology sectors are among those in which Canada has reasonable prospects of attaining international competitiveness and growth.

Production Efficiency

Several companies in the telecommunications and space industry took advantage of the Industry Modernization for Defence Exports Program (IMDE) to modernize their facilities and manufacturing processes. It is recognized that if Canada is to maintain its competitive position in this high technology area, continued efforts will be required to improve productivity.

Several Canadian electronics companies are engaged in providing process controls systems for Canada's primary industries so that cost and quality can be improved. As these companies must export to achieve growth and do so in the face of competitors of five times the size, they have taken part in the export consortia and market development programs of the department.

The avionics and defence electronics sector showed a sharp increase in capital and source establishment spending of about 36 per cent. This may be partly attributable to anticipated activity related to the major DND purchases (CP-140 long range patrol aircraft, leopard tank, new fighter aircraft, etc.). However, this rate of just over \$3 million per year may be far from adequate to establish the total industrial capacity needed to deal with direct or offset opportunities arising from these programs.

This was the first year of operation of the five-year plan to restructure the Canadian television manufacturing industry. The main element of the plan is the television remission program. This program allows TV manufacturers to import some television sets duty free based on a formula linking the manufacturer's sales of TV sets in Canada to the level of manufacturing undertaken.

Although two manufacturers announced they would cease TV production, six others have taken advantage of the program. The participating companies have undertaken some initial restructuring and further stages are being negotiated.

International Environment

A joint working group was formed with the European Economic Community for the promotion of industrial co-operation in the computer hardware and software industry between Canadian and European manufacturers. This joint initiative has been well received by all concerned and tangible results are expected.

Negotiations involving a business venture with Japan have been completed with a Canadian company and the largest Japanese computer manufacturer. This association will bring the Canadian company a good source of computer technology.

In the heavy electrical equipment sector, Canadian companies participated in a seminar and trade missions sponsored by the department in South America. This resulted in Canadian companies obtaining a number of equipment orders.

The instrumentation sector's competitors continue to be formidable obstacles. Because most Canadian companies have chosen to compete in narrow areas they were able to survive in the depressed markets of the past year. An improvement in international environment is expected next year and some growth should be possible in this sector.

The trend in most developed and developing industrial nations to encourage the domestic manufacture of a greater portion of their telecommunication equipment requirements has made it necessary for Canadian suppliers to grant manufacturing rights in many cases in order to gain market access.

The major telecommunication expansion programs in the Middle East have presented the Canadian industry with significant opportunities to obtain export contracts. One Canadian company obtained the single largest telecommunications contract ever awarded.

The avionics and defence electronics sector continued to enjoy considerable success in third world markets, particularly with specialized products such as flight simulators. The weakening of the Canadian dollar has improved our competitiveness in the United States, Europe and Japan.

Problems persist, however, in achieving and maintaining access to U.S. and European markets for products of this sector, despite efforts to surmount various non-tariff barriers. In these markets, specialty components and the smaller sub-systems appear to enjoy more success than larger systems -- engine instruments and crash position indicators as opposed to Omega navigators. One notable exception is Germany where a Canadian company continues to be the exclusive supplier of aircraft simulators to the Ministry of Defence. In other EEC countries, some sales have been achieved through licensing for partial assembly in the customer country. Two Canadian companies have used this approach to good effect in Italy.

Domestic Environment

The imbalance of trade in the electrical industrial equipment and office equipment sectors is worsening. In the electrical sector, imports of heavy electrical equipment are taking more and more of our domestic market. In office equipment, the lack of domestic manufacture, compounded by the lack of the technology required to be internationally competitive, places the domestic market at the mercy of the foreign competition.

The Canadian environment remains a difficult one for most instrumentation companies. Small markets and entrenched large foreign suppliers make penetration difficult. To recapture some of the domestic market, Canadian companies will have to increase R&D and marketing efforts to be ready for the expected easing of economic difficulties in Canada.

The rapid expansion in the application of micro-integrated circuitry in both product and process is having a major influence on the reduction in employment in the telecommunications industry. This is a worldwide problem, faced by all large telecommunications companies. The problem in Canada has been further aggravated by a reduced growth in demand for telecommunications services resulting from current economic conditions in Canada.

The avionics and defence electronics sector is trying to come to grips with the industrial benefits and offsets associated with the major DND procurement programs. The major activity was the new fighter aircraft program.

The branch devoted a substantial part of its resources to assisting industry in its search for offsets and in evaluating the industrial benefit packages of the six aircraft proposals received. Considerable effort to generate adequate industrial benefits from this program is continuing.

Market Development

A number of Canadian manufacturers of computer peripheral equipment, system houses and service bureaux have succeeded in establishing themselves in the international marketplace.

These successes are more prevalent where companies have specialized in applications such as text editing, banking systems and in software applications connected with service bureaux.

Emphasis in the instrumentation sector continues to be concentrated on the exploitation of unique or competitive Canadian technology in postal automation and automatic controls. Recent success in Eastern Europe should stimulate further activity.

The department continues to assist the telecommunications and space industry in efforts to expand the export market base. Canadian telecommunications are recognized around the world as being in the vanguard of technical advancement, particularly in digital techniques.

The department participated with the Department of Communications and other departments and agencies in a number of activities aimed at increased business for the Canadian space industry. These activities included negotiations with the European Space Agency for closer co-operation; participation in a Treasury Board study of Canada's space program with particular emphasis on future requirements, scheduling and organization, and interdepartmental discussions of the creation of a Canadian prime contractor capability for satellites. The department also facilitated new export sales of communication satellite ground stations.

The avionics and defence electronics sector continues to make an effective contribution to Canada's trade balance. It is estimated that of the \$150 million in annual sales more than 75 per cent is generated by exports. Branch personnel continue to work in co-ordination with the Defence Programs Branch and the Trade Commissioner Service to assist in the development of export markets. Branch officers also assisted the department's efforts at the Paris Air Show, which was the most successful for the industry since Canada started attending.

The department sponsored seven appliance manufacturers in the International Home Electronics and Domestic Appliances Exhibition in Birmingham, England, in May. More than \$624,000 in sales were completed on site. Total sales within 12 months probably will exceed \$6 million to more than 20 countries.

Three appliance manufacturers have begun a new marketing technique called "kitting" and have penetrated markets in Central America and the Middle East. Kit sales totalled approximately \$300,000. In the kitting technique, the manufacturer provides his offshore distributor with all the parts and components required to build the finished product, whether it is a refrigerator or wringer washer.

MACHINERY

Machinery Program

One of the principal policy instruments to promote the growth and productivity improvement of the Canadian machinery industry is the Machinery Program. It provides a reasonable measure of tariff protection to machinery manufacturers and encourages increased Canadian content in machinery production. At the same time, it enables users of machinery to obtain remission of duty on imported capital equipment which is not available from Canadian production.

More than 28,000 applications were received in 1977 and more than \$200 million in assistance was provided in duty remissions to industry for the purchase of advanced capital equipment. Some 115 machinery producers were assisted in 1977 to rationalize their production activities on an international basis, increase the range of products made in Canada or expand production capacity to take advantage of growing demands that were met previously by imports.

Exports

Some of the larger export orders for Canadian machinery include \$200 million worth of equipment for the development of a natural gas field in Algeria. Algeria committed \$80 million for infrastructure engineering and equipment supply for a liquefied natural gas plant.

The Philippines purchased \$50 million of open pit mining and ore processing equipment, and a \$25 million order was received from Libya for a packaged gas turbine generator power station.

The U.S.S.R. ordered \$24 million of gas turbine driven compressor sets and \$30 million of electric motor driven compressor sets.

Canadian manufacturers of equipment for the service industries shipped more than \$200 million worth of their products abroad, mostly individual orders amounting to less than \$100,000.

The range of products and their destinations included vending machines and glass washers to Sweden and the U.S., auto body frame repair equipment to Japan, chain saws to Turkey, door hardware to Japan, oil burners to Iran, commercial pizza ovens to The Netherlands, tire vulcanizing equipment to Hong Kong, bakery equipment to the U.S., clip-on refrigeration units to Germany, and heating equipment to the U.S.

Canovex Ltd., the Nova Scotia consortium of fishing equipment and vessel manufacturers, has been commissioned to study Nigeria's requirements for two or three fishing terminals.

The Canadian Nuclear Equipment Supply (CNES) was formed to co-ordinate the export efforts of CANDU nuclear power station equipment manufacturers.

Significant innovations include development by a Quebec-based company of a refrigeration unit that clips on to transport containers and meters a flow of carbon dioxide gas into the container.

An Ontario company has developed a new concept for changing automobile tires in service stations. The unit is designed to loosen the upper and lower beads simultaneously. Another Ontario firm has designed and built a residential heat pump specifically for the climatic conditions in Canada and the northern U.S.

Worldwide attention has been attracted by automated machinery designed by an Ontario company to produce large grinding wheels for grinding camshafts, crankshafts and balls.

RESOURCE INDUSTRIES

An Overview

Mixed fortunes were the lot of the resource industries, in part a reflection of the somewhat hesitant performance of the economies of Canada and its major markets. Real output in the industrialized countries grew rather less than four per cent; for Canada alone the rate was below three per cent.

Canada's resource-based industries are heavily export oriented and last year the sector recorded exports of more than \$16 billion, more than one-third of total Canadian exports. Imports were slightly above \$4 billion for an export surplus of \$12 billion.

Several factors contributed to this situation. The devalued dollar undoubtedly had a beneficial effect on a number of resource-based industries. The labour scene was considerably more tranquil than in some previous years and contract settlements for the most part represented smaller increases in percentage terms than previously.

The net result was that industries which were well placed in their markets, whether domestic or foreign, in general had a successful year. Examples are aluminum, coal, lumber and steel. High producer inventories, coupled with relatively sluggish demand, resulted in a disappointing year for producers of wood pulp and nickel.

The profitability of many of the resource industries remained at less than satisfactory levels. Although all sectors recorded improved earnings compared with the preceding year, these gains, when adjusted for the decline in purchasing power and for inventory valuation, would in many instances be inadequate to maintain or improve the fixed asset base of the industry.

Protectionist measures in some foreign markets threatened to cause difficulties for some Canadian resource-based industries. Instances of this situation were anti-dumping levies on kraft liner in the European Economic Community and the implementation of the "trigger price system" for imports of steel into the United States and equivalent measures in EEC.

Primary Wood Products

International Environment

As part of ongoing activities to develop and expand overseas markets for primary wood products, the department continues to participate jointly with the Council of Forest Industries of British Columbia and the British Columbia Department of Economic Development in the Co-operative Overseas Market Development Program. One of the more significant export thrusts under the program was the design and construction of 38 timber frame houses in Japan, in co-operation with Japanese industry associations.

Following a market survey carried out in early 1977 in selected Mediterranean countries, a department-sponsored softwood lumber and plywood mission visited Spain, Italy and Greece to exploit export opportunities for a range of wood products, with the result that significant initial shipments have been made.

To keep abreast of developments in a changing international environment, officers were involved in various activities such as those related to the Timber Committee of the Economic Commission for Europe, UNCTAD administered Integrated Program for Commodities in the area of tropical timber, and the FAO-sponsored symposium on panel products.

Domestic Environment

An energy-related wood residue study and an in-depth assessment of the Canadian softboard industry were initiated in order to improve resource utilization and manufacturing efficiency within selected primary wood products sectors.

The Federal/Provincial Forest Industries Development Committee (FIDC) was a most effective vehicle for the compilation of inputs that were necessary during preparation of the major forest industries review that preceded development of the sector profile discussion paper prepared by the branch.

The full committee met in Victoria, B.C., to discuss a range of current issues relating to the sector, including two major studies on manufacturing and on wood costs. The committee also organized a panel discussion on the subject "The Way Ahead for the Forest Industries".

Product Efficiency

Following a technical study tour of Nordic countries by a representative group of Canadian lumbermen to examine European finger-jointing technology, a comprehensive report was published by the department for distribution throughout the trade.

Manufactured Wood Products

Market Development

Poor domestic demand for manufactured wood products relative to the previous year reflected a lower level of new housing starts. This was, however, more than counterbalanced by a strong upswing on the international front, with exports increasing by 43 per cent to a total of \$226 million.

The United States was instrumental in this strong showing with total exports to that country increasing by 74 per cent to \$118 million. The Middle East, North Africa, Japan, Latin America and Western Europe accounted for the major portion of the remainder.

In 1977 a number of major Canadian companies--ATCO, Precision Homes, Treco, Domfab, Homexpo, Viceroy Construction, and Citation Cabinets--were particularly active, with assistance from the Manufactured Wood Products Division. This strong showing of the prefabricated buildings and components segment of the industry in offshore markets accounted for approximately \$100 million of total exports. Two large successful contracts were a \$15 million contract by Homexpo in Saudi Arabia and a \$30 million contract by Domfab in Jubail, Saudi Arabia.

Initiatives

The division participated in a number of initiatives aimed at market development and expansion. In Canada, division personnel participated in the various industry and intergovernmental consultative committees related to the forest products industry. They organized the Canadian delegation to the Industrial Co-operation Working Group on timber frame housing to the EEC in October and published a directory of Canadian building manufacturers for use by industry and government.

In the United States the division participated in a Canadian mission of building components manufacturers to the Salt Lake City, Utah, area in the middle of the year.

The division hosted a tour of the Japanese 2 x 4 Association through Canada in May to investigate the merits of the timber frame housing system; participated in the third meeting of the Canada/Japan Housing Committee in Tokyo in June and accompanied a group of Japanese government housing officials through Canada in October.

In the European market, the division participated in a mission of French government officials from the Union Regional des CIL of France in September; hosted a technical housing mission from Belgium in October; participated in the WEAP conference on prefabricated housing in Hamburg, Germany, in November, and provided technical support to Canadian manufacturers at the BATIMAT trade show in November, the BatiBouw Show in Brussels earlier in the year and the Bowbeurs Show in The Netherlands. These three trade shows comprise a major portion of the division's timber frame promotion in Europe.

In October the division accompanied a mission from the Federal Housing Authority of Nigeria which was studying the timber frame method's applicability to that country.

Pulp and Paper

Product Efficiency

Cost studies on the pulp and paper industry in North America and Scandinavia, initiated to investigate ways of improving the Canadian industry's competitive position in world markets, have been completed. The North American study has been released and the Scandinavian study will be published in the near future.

The next stage will be to consolidate the studies so that an overview will be obtained giving a proper comparison of domestic and international costs for bleached kraft pulp and newsprint. The information gathered will be a base for identification and assessment of methods to enhance manufacturing productivity leading to lowering of production costs.

There is continued concern over the competitive position and hence the future viability of the Canadian fine paper industry. A joint government/industry examination of the cost position of the industry has been completed. Additional work is in progress designed to provide a more complete profile of the fine paper sector and an indication of possible future options to enhance the industry's competitive position.

Domestic Environment

Shipments of some 20 million short tons in 1977 indicate that the long depressed international markets are on the upswing. In 1978 pulp and paper shipments should reach the 1974 level of 21 million short tons.

However, the forecast decrease in worldwide consumption of paper and paperboard during the 1980s will create a continuing high level of competitiveness and considerable marketing difficulties for the Canadian industry.

Under the auspices of the FIDC, and direct supervision of the branch, the rationalization study, using New Brunswick as the pilot area, has been successfully completed. The Government of New Brunswick has been asked to keep FIDC advised of progress in the development and implementation of rationalization in the province.

A study of the domestic converted paper sector is continuing with the object of developing a basis for indentifying policy options appropriate for the enhancement of this sector by generating information on the present status of this fragmented industry.

The forthcoming recommendations of the Forest Products Consultative Industry Task Force, which is one of 22 task forces established as a result of the First Ministers' Conference early in 1977, could be a major framework for the development of the industries internationally competitive position.

International Environment

The branch continues to participate in major committees to promote industrial co-operation, including: Canada/EEC Ad Hoc Forest Products Working Group; Canada/Japan Joint Economic Committee; Canada/China Joint Trade Committee; Canada/U.S.S.R. Working Group on the Forest Products Industries; Canada/Cuba Joint Committee.

Officers have been actively involved in export marketing development of new and/or expanded markets including a number of surveys and missions:

- . A sack kraft market survey of selected EEC member state countries.
- . A pulp and paper survey of selected South East Asian countries.
- . A technical pulp and paper mission to the People's Republic of China in November.
- . A pulp and paper marketing mission to Japan in March.

Iron and Steel

Product Innovation

The Iron and Steel Division worked with T.I.W. Systems Ltd. of Toronto on the development and promotional sales effort for a new series of microwave towers. This resulted in multi-million dollar sales on world markets.

The division also co-operated with Canadian steel industry officials to develop and incorporate the new Canadian Steel Industry Research Association.

A large number of steel forging and casting companies were helped by department programs in the development of new product lines and improvement of production efficiency.

Production Efficiency

The division has been working closely with Interprovincial Steel and Pipe Corporation Limited (IPSCO) of Regina and Sydney Steel Corporation (SYSCO) of Sydney in particular and generally with other steelmakers on programs to improve production efficiency.

With EDP assistance, several Canadian producers of steel wire rod and fasteners have enhanced their productivity and competitiveness and have been helped by department programs to survive the serious dislocations in the steel sector during the year.

International Environment

The department continued to work closely with the iron and steel industry during the difficult period of low world steel demand and market disruption. Specialists in the division attended several international meetings of the OECD, the ECE and the UN to discuss measures to counteract the slump in steel demand and over-capacity problems. Considerable work was done in advising the Canadian industry and making representations to Washington on the new U.S. "trigger price" system for steel imports.

Domestic Environment

The department was influential in the formation of a government task force to monitor steel imports into Canada to help alleviate problems for domestic producers. The Steel Industry Advisory Group (SIAG) met at intervals with department officials to finish its report, which was two years in the making. The industry profile on the primary iron and steel section was published and reviewed by the industry and recommendations to governments were formulated.

Market Development

With PEMD assistance Canadian firms were able to take advantage of several sales opportunities identified by trade commissioners in overseas markets.

A promotional booklet "Metal Pipe and Tube from Canada" and "The Canadian Ferrous Foundry Industry Report of the 1976 National Survey" were published.

Several producers of iron and steel products were helped in taking part in CIDA and other large projects, including the Trinidad steel mill and the Mexican and Korean rail projects.

Non-Ferrous Metals

Overview

The continuing depressed world economic environment prevented a recovery in non-ferrous metals prices. This resulted in further production cutbacks and some labour force reductions.

The aluminum market is relatively buoyant but the cobalt market has become unstable due to developments in Zaire. The lead market has hardened and the copper, nickel and zinc markets remain depressed.

Product Innovation

Assistance was provided for a number of technically innovative products and processes. These included development of an explosion-proof container for volatile liquids, production of cobalt strip by powder metallurgy and new hydro metallurgical processing of western copper/zinc ore bodies. Assistance was also provided for projects carried over from previous years.

Production Efficiency

The Non-Ferrous Metals Division continued to provide assistance to Canadian industry for production efficiency through Market Data Generation, a system that reduces manufacturing costs.

International Environment

The department participated in a number of meetings of international groups, including the Lead-Zinc Study Group and the United Nations Committee for Trade and Development (UNCTAD) on copper. There were also a number of meetings on non-ferrous metals in the GATT/MTN.

The Non-Ferrous Metals Division was involved in the formation of the Ad Hoc Working Group on Metals and Minerals which will identify and pursue specific opportunities for co-operation between Canada and the EEC on metals and minerals.

Areas of co-operation include research and development related to energy management, environment, production processes, health, technology exchange, resource upgrading and security of supply as well as other subjects of mutual interest.

Domestic Environment

In co-operation with industry, the division was instrumental in the formation of the Canadian Die Casters Association (CDCA) and continued to work with other representative industry organizations including the investment casters and heat exchangers.

A new investment casters directory was produced.

An intensive study of the non-ferrous industry was undertaken and the non-ferrous sector profile was produced.

Extensive work was done on an interdepartmental study of a proposed east coast zinc smelter to smelt zinc concentrates from the Arctic.

The division participated in the development of the Business Opportunities Sourcing System (BOSS) and is working closely with private industry, provincial governments and Ontario Hydro in the development of a Canadian zirconium facility.

Market Development

The division worked with Canadian industry to penetrate the United States defence market in die casting and was active in developing world markets for nuclear grade tubing and, over the long term, for uranium.

Industrial Minerals

Coal

The branch continued to be involved in market surveys and analyses in connection with the 1977-78 Canada-British Columbia Subsidiary Agreement to Evaluate Northeast Coal and Related Developments. Coal market surveys were carried out in certain Latin American and European countries.

An officer from the British Columbia Ministry of Economic Development was on loan to the branch in connection with these studies. An officer of the branch serves on the Northeast Coal Management Committee and on the Economic, Financial and Marketing Analysis Sub-Committee.

Canadian companies sold Nova Scotia and British Columbia coking coal to Brazil and trial shipments were made to Argentina in the course of the year. Coal negotiations were undertaken by Canadian companies in Romania, Sweden and Italy, and contracts are expected.

An incoming thermal coal mission from Korea visited the western coal industry early in 1978. Prospects are encouraging. A major thermal coal mission was planned for Korea and Japan in FY 1978-79.

World demand for thermal coal is rising rapidly and it is expected that the development and export of thermal coal will help maintain expansion in the industry. World steel markets are soft and coking coal demand is not expanding at forecast rates.

As part of its work program on the diversification of coal markets, the branch received coal buyers from many foreign countries, briefed these delegations on the coal situation in Canada and, in many cases, arranged appointments with appropriate coal exporting companies, prospective producers and with provincial government authorities. Canadian coal exporting companies are becoming increasingly interested in diversifying the market for metallurgical and thermal coal.

Cement and Concrete

The branch produced a sector profile on the Canadian cement and concrete industry and arranged for the formation of the Cement and Concrete Industry Consultative Task Force set up to outline priority issues affecting the industry and to make specific recommendations to governments on these issues. An officer of the branch serves as secretary to the task force and other officers act as government observers.

Several officers participated in Enterprise Canada 77 and follow-up activities were carried on for several months. Many officers were able to help resolve problems raised by company officials. An important problem uncovered, concerning product liability litigation, is still being pursued.

TEXTILE AND CLOTHING BOARD

The final report on the Textile and Clothing Board's inquiry on clothing was presented to the Minister on May 29. The inquiry, undertaken at the request of the Minister, had resulted in the emergency application on November 29, 1976, of a global quota on most imports of clothing.

The board also recommended negotiation of bilateral restraint agreements with 21 exporting countries. Recommendations have been accepted by the government and negotiations undertaken with the major countries exporting clothing to Canada.

The board also carried out inquiries and reported on acrylic yarns, towels, work gloves, hosiery, handbags and hats and caps. In all but one case, the board recommended special measures of protection against imports of these items.

TEXTILES AND CONSUMER PRODUCTS

The carpet sector continues to be most active in developing export markets, particularly in the Middle East, Europe and Australia. Other sectors demonstrated evidence of some export market development but, despite devaluation, have made no real advances in face of keen competition from developed and low cost countries.

Production Efficiency

For the most part, the textile industry has kept abreast of technological improvements and consequently has continued to make every effort to produce as efficiently as possible. This is apparent in the numbers of textile personnel attending annual machinery shows throughout the world.

International Environment

The international market continued to be highly competitive because of the world surplus capacity in textile products. The industry's on-going requests to government for import restraints indicates it is still experiencing great difficulty in maintaining a satisfactory share of the domestic market because of imports.

Domestic Environment

The industry is seriously concerned about the impact of the MTN negotiations. Consideration of long-term restructuring is not likely to begin until the direction of the MTN negotiations as they affect textiles is brought more clearly into focus.

The more restrictive quota actions taken by the government on imports in both textiles and clothing began to have some effect and the decline in most sectors was expected to be checked by mid-1978.

The industry, generally, continued in a rather stagnant state with unsatisfactory profit positions, particularly in the home furnishings sector. As the industry is still unable to reflect increased labour and material costs in selling prices, profits continue to be eroded. In the country's present economic condition, no improvement can be anticipated in the foreseeable future.

Financial pressures have caused mill closures in some areas and temporary shutdowns have occurred as efforts were made to bring inventories into line with current shipment levels.

Tariff rates on manmade fibres and viscose filament yarn were reduced to compensate the United States for the imposition of global quotas on garments and double-knit fabrics. In accordance with Canada's international obligations, the tariff reductions applied to all imports of the products involved and resulted in strong protests from the manmade fibre industry.

The Textiles and Clothing Industry Consultative Task Force, which has been meeting on a continuing basis, has submitted recommendations to the Minister on improving the performance of both the primary textiles and clothing industries.

Clothing Industry

Market Development

The Leather/Canada show held in Montreal in March generated more than \$3 million of on-site sales to clients from the United States. Fur garment industry activity improved despite rising world prices for raw furs, primarily as a result of more than \$10 million of exports.

Canadian-made men's apparel, including knitwear, robes, suits, shirts and leather outerwear, were featured in the Westmax Show in San Diego in March. Results from this promotion were satisfactory, especially in view of the fact that it was the first exposure in the California market for most exhibitors. Nine sportswear manufacturers participated in the International Sports Equipment Fair in Munich in February and good results were reported.

Ten companies received assistance under the Program for Export Market Development to identify markets for their products in Europe and the United States.

Production Efficiency

In conjunction with the Government of Manitoba and the province's apparel industry, a productivity program has been implemented and is expected to become operational in July. The program will provide consulting services in technology, production techniques, human resources and information. Funding is being shared by the industry and the provincial and federal governments.

Discussions are also being held with industry representatives in Quebec and Ontario to develop an approach and concept for productivity programs. Financial contributions are being made to the Apparel Manufacturers Association of Ontario and the Apparel Manufacturers Institute of Quebec to support background work on a framework for productivity programs in these provinces.

International Environment

The global quota on the import of clothing, which was introduced in late 1976, was extended through to the end of the calendar year 1978. Negotiations were initiated with a number of major low cost clothing exporting nations with the objective of concluding bilateral restraint agreements to replace the quotas.

Domestic Environment

Although some sub-sectors of the industry experienced increased activity after almost a full year in which most clothing imports were limited by a global quota, overall employment did not increase because of weakening consumer demand and retail inventory accumulation.

A clothing industry profile was prepared to describe developments and trends in this sector over the past five to ten years. The profile is part of a package of background material for the textiles and clothing industry task force.

Footwear and Tanning Industries

Domestic Environment

The imposition of a three-year restriction on footwear imports, effective December 1, coupled with a devalued Canadian dollar, created a more favourable operating climate for footwear manufacturers. As a result, many are considering new product development and recognizing the quota period as the appropriate time to implement restructuring measures to improve their competitive ability.

During the first quarter of 1978 there were indications that the apparent Canadian markets and imports of footwear declined relative to the comparable period of 1977. The domestic industry's market share increased, particularly in athletic footwear sales.

A department survey indicated that industry employment increased by 5.4 per cent in March, 1978, over March, 1977.

International Environment

Developed countries are concerned about the increasing volume of footwear imports, particularly from developing countries. Concerned Canadian manufacturers have recommended that an international agreement on footwear be proposed at the current GATT negotiations and that footwear be excepted from any tariff reductions. The United States this year negotiated bilateral agreements with Taiwan and South Korea while the EEC, under pressure from European footwear manufacturers, is reviewing the situation.

Production Efficiency

Productivity in the Canadian footwear industry is now among the highest in the world, according to the report of the Anti-Dumping Tribunal. However, this productivity depends heavily on sufficient volume to maintain high utilization of productive capacity.

As better capacity utilization is realized during the quota period, the industry will be in a stronger position to compete internationally as more companies restructure their operations under the Footwear and Tanning Industries Adjustment Program (FTIAP) and the full impact of the productivity centre (FLICCC) is achieved.

Market Development

In the leather and footwear sector, the Export Market Development Program has assisted companies to promote their products at the sporting goods show in Munich, the Las Vegas Snow Show and the footwear fair in Duesseldorf. It also assisted in bringing selected buyers from the United States to the Canadian Winter Footwear Show in Montreal. The industry's continuing promotion of footwear associated with Canadian lifestyles has resulted in an increase in exports of special purpose footwear of 64 per cent to \$18 million and in exports of skates of 42 per cent to \$12 million over 1976.

TRANSPORTATION INDUSTRIES

In consultation with industry, sector profiles were compiled on the urban, automotive, shipbuilding, aerospace and ocean industries.

Subsequent to publication of the profiles, the branch provided secretariat services to sector consultative task forces which were assembled by invitation of the Minister after the First Ministers conferences.

The task forces have reviewed the sector profiles and developed a set of recommendations which can contribute to a framework for continued development of the industries.

Aerospace

Forty-five de Havilland Twin Otters were delivered during the year. More than 600 of these aircraft are now in service around the world. De Havilland has now sold 96 Buffaloes and production on this aircraft continues at the rate of one and one-half per month. Canadair sold ten CL-215 water bombers.

The DASH-7 aircraft was certified in April and the first delivery was made to Rocky Mountain Airways in November. The first Canadian order was received from Wardair Canada Ltd. and delivery is expected in 1978/79. Repeat orders are being received and total sales now stand at 10 with 13 firm options. The Department of National Defence ordered two DASH-7s in March, and Transport Canada signified its intention to procure two extended range versions of the aircraft, called the Ranger, for ice reconnaissance.

Canadair's Challenger business jet aircraft has been a tremendous market success. More than 127 aircraft have been sold, even before the first flight, which is expected in the fall of 1978. Both the DASH-7 and Challenger are supported by department programs and initiatives.

Trident Aircraft Ltd. of Richmond, B.C., has completed development of a new light amphibian, the Trigull, and obtained Transport Canada certification. A sizable market has been identified and the company is now planning production.

Future Organization of Canadair and de Havilland

An assessment by D.A. Golden, president, Telesat Limited, requested by the Minister, of the organizational options open to the government in respect of its ownership of Canadair and de Havilland proceeded during the fiscal year.

The branch participated in the early stage of the assessment involving an audit of the company operations directly with the senior management. A report on the audit was submitted to Mr. Golden in August. Since then, Mr. Golden has met with branch officers on three occasions to receive an update on government activities relative to the two companies. Mr. Golden's report has since been submitted to the Minister.

Productivity Aerospace Program

The Air Industries Association of Canada (AIAC) launched its productivity aerospace program in September. The branch has provided liaison and support services to the program, particularly in seeking an improvement in the efficiency of the government/industry interface.

The program, named Productivity Aerospace, is managed by the AIAC through action groups drawn from industry and, to a lesser degree, from government. It is designed to maintain and improve productivity in human resources, management systems, manufacturing methods, marketing and the industry/government interface.

Twelve seminars have been held, attended by representatives from both large and small companies. The result is an interaction of people at all levels in industry and government and an increased sharing of knowledge devoted to productivity improvement in the interests of maintaining the sector's international competitiveness.

Pratt & Whitney Aircraft of Canada Limited

Sales of the PT6 turboshaft/turbopropeller engine reached an unprecedented level for its class. More than 12,000 of these engines have been produced and a backlog of 3,000 currently exists for a total potential value of \$1 billion.

This program began with government assistance in 1960 and its current success reflects the long build-up period required to succeed in this area.

Horsepower, technology and economics of this engine series are continually being improved with the resultant capture of new market opportunities. The department has continued to provide assistance to ensure the success of this program.

CL-89

The Government of France has indicated that it intends to purchase an augmented CL-89 Airborne Surveillance Drone System from Canada. Negotiations are underway to complete the sales contract. This will bring to four the number of European armies using the CL-89. The others are Germany, Britain and Italy.

Marine and Rail

Ocean Industries

The seventh session of the United Nations Conference on the Law of the Seas was concluded with optimism. It appears possible to reach agreement on the many and diverse issues being negotiated. Canadian objectives were well advanced during the session which saw progress made on a production ceiling formula for seabed mining. Progress was also made on environmental matters.

Exploration for oil and gas is increasing in Canada's eastern offshore and opportunities for Canadian companies are improving significantly.

The branch continued its marketing and promotion activities at a high level. Exhibits were sponsored at trade fairs in Aberdeen and Brighton and at the Offshore Technology Conference in Houston. In addition, eight Canadian companies are participating in the Latin American Oil Show in Rio de Janeiro.

A six-member mission visited Indonesia, Malaysia and Singapore from February 10 to 24. Senior officials of the Brazilian National Petroleum Company (PETROBRAS) visited 17 Canadian firms from May 13 to 24.

There has been a sharp increase in the number and size of projects put forward by ocean industries companies for innovation and development assistance. Proposed developments include a large commercial submarine, a new seismic system, a new "Canadian conditions" oriented subsea oil well completion system, iceberg profiling and tracking systems, ocean data systems, a new launch and recovery system and a study of ocean industries opportunity evaluation.

The potential of the ocean industries to generate increased economic activity in the Atlantic region was emphasized again by the Consultative Task Force on the Ocean Industry. The task force report is expected to add impetus to efforts of government and industry to realize the potential of this sector.

Ocean industry markets are expected to develop not only in traditional areas such as the North Sea and the Gulf of Mexico but also in Latin America and Southeast Asia.

Shipbuilding and Components

More than \$600 million worth of production was completed on shipbuilding and repairs, of which about one-half was for export. This is a new record in terms of current dollars.

Canadian shipyards delivered 28 vessels totalling 175,341 gross tons. Repair work was valued at well over \$100 million and non-marine work was close to \$100 million. Employment was down about 10 per cent from the previous year, averaging 13,800.

The drop in employment reflects a worldwide downturn in demand for new ships. To counter new measures of assistance to foreign competitors, the 20 per cent rate of subsidy was extended and will now apply on orders received until October 31, 1978. This enabled Canadian shipyards to obtain several important domestic orders which partially compensated for the lack of new export orders.

The fortunes of the ships components manufacturing sector as a whole continue to be affected adversely by the worldwide slump in shipbuilding. There have been, however, a few cases when, through aggressive marketing of superior or specialty products, companies have succeeded in increasing their share of what is still a substantial market.

The shipbuilding slump, which is particularly severe in Canada, has had the effect of inducing many companies to make greater use of the department's assistance programs for participation in defence production and penetration of foreign markets.

Railway Industry

Transport Canada and VIA Rail placed orders for a total of 10 sets of LRC (light, rapid, comfortable) high-speed passenger trains. This will include 23 locomotives and 50 coaches valued at approximately \$50 million. The LRC, which is considered one of the world's most advanced train systems, was developed by three Canadian companies with the assistance of a department PAIT grant. Two train sets are being constructed for export to the United States for Amtrak.

An agreement was made between the department and the General Motors Diesel Division wherein the Canadian value added would be increased to the extent that General Motors locomotives would be eligible for CIDA financing.

A group of Canadian companies won \$23 million in contracts for the rehabilitation of a 110 km railway line in Costa Rica. The department introduced the companies to the opportunity, hosted a railway mission from Costa Rica and lent guidance and assistance during the negotiations.

A first order has been booked for the 10 metric ton hydraulic rail crane developed with the assistance of a PAIT grant.

Department assistance during the year contributed to the booking of export orders for some 1,000 freight cars and 130 locomotives valued at approximately \$110 million.

Automotive Products

The deficit in trade in automotive products with the United States increased by about \$86 million to \$1,087 million. The major contribution to this increase was a continuing growth in the automotive parts deficit, which increased by 23½ per cent to \$3,126 million. This was in part offset by a 38 per cent increase to \$2,048 million in the surplus on vehicles. Concern has been expressed about the growth in the automotive deficit and discussions were initiated with the major vehicle manufacturers and parts manufacturers to seek ways to reverse the trend to an increasing deficit that appears to be taking place.

The automotive industry in North America is under considerable pressure to meet government regulations in the U.S. and Canada, and it has embarked on a major investment program. The objective of the discussions was to ensure that Canada obtained a reasonable proportion of these investments, not only to offset the growing deficit in trade but to ensure growth in the industry comparable to the growth in the market in Canada.

Overseas Trade

Although the deficit in trade in automotive products with other countries declined by \$85 million from 1976 to 1977, there is still concern for the proportion of the market in Canada held by third country vehicles. This would appear to be growing and is now at about 20 per cent. Trying to offset this growing trend, Cabinet gave approval for the department to enter into discussions with third country vehicle manufacturers for an expanded remission scheme which would provide an incentive for the purchase of additional parts from Canada. An agreement has been reached with Volkswagen under this scheme.

Automotive Parts

Trade with the United States

A continued expansion in the automotive components deficit by 23= per cent to \$3,126 million, was in part offset by a 38 per cent increase in the surplus on vehicles. Exports of automotive components increased 26= per cent to \$3.77 billion and there was a 25 per cent advance in automotive parts imports to \$6.8 billion. A number of discussions were held between the department and the industry in an attempt to ease the continuing parts deficit.

Overseas Trade

Offshore exports of automotive parts increased by \$14 million, or eight per cent, to \$178.5 million. Imports increased \$1.8 million to \$207.9 million.

General

Market development efforts were concentrated in the United States, the European Economic Community and Japan. A number of Canadian companies and their products were introduced to one or more of these potential markets through participation in department sponsored exhibits of trade shows, by assistance with independent exhibits or by opportunities afforded by the department's trade missions.

Promotional Efforts

United States--Eighteen companies exhibited at the Automotive Parts and Accessories Association (APAA) Show in Chicago, November 16 to 18.

Ten Canadian parts manufacturers exhibited at the Pacific Automotive Show in San Francisco, January 24 to 27. This was the first time the department sponsored an exhibit at this show and results were encouraging.

Eleven Canadian parts and equipment manufacturers were in the Automotive Service Industry Association (ASIA) Trade Show in Chicago, March 15 to 17.

Thirteen companies exhibited in a "Product Introduction Days" project in Atlanta and Miami, February 13 to 17. All companies reported successful arrangements with sales agencies. This was a joint project with the Ontario Ministry of Industry and Tourism and the Quebec Department of Industry and Tourism.

Japan--An 18-member mission organized by the Japanese Automotive Parts Industries Association (JAPIA) visited Canada, July 13 to 15, for discussions with federal officials and representatives of the Ontario and Quebec governments.

The mission members represented 14 of the largest automotive parts manufacturing companies in Japan. They were interested in assessing general economic conditions and trends and in obtaining information on financial incentives offered to manufacturers by the Department of Regional Economic Expansion and the governments of Ontario and Quebec.

The mission was also briefed on the Foreign Investment Review Act and on possible plant sites in North America and the comparative site location costs in Canada and the United States.

This mission was followed by 63 representatives of the Japanese automotive parts industry who visited Toronto in March at the invitation of the Ontario Ministry of Industry and Tourism and the Automotive Parts Manufacturers Association (Canada). The mission toured a number of plants in the Guelph area and concluded its visit with a seminar organized by the Ontario government to show the attractiveness of foreign investment in Ontario.

Eight Canadian automotive parts manufacturers exhibited at the 22nd Tokyo Motor Show, October 28 to November 9, under the sponsorship of the department which assisted the companies in establishing entree to the Japanese market.

Other--Canadian automotive parts manufacturers travelled in increasing numbers to Cuba, Switzerland, Germany, Britain, Australia and the Middle East under the department program for Export Market Development. They attended trade shows, investigated new markets and generally promoted Canadian products.

Significant Developments

Canadian vehicle manufacturers maintained record activity and employment levels. The excellent reputation of some Canadian transit operators has helped Canadian manufacturers to penetrate export markets. Although still relatively small, Canadian export of such systems is increasing rapidly.

Innovation

The first prototypes of a new streetcar to be known as the Canadian light rail vehicle are under test in Toronto. New Canadian bi-level commuter cars, the first of their type in the world, are now in service in Ontario and have attracted international attention.

Development programs to incorporate the latest fibre optics capability in computerized traffic control systems are nearing completion.

Major Problems

Access to the United States market is essential if the Canadian industry is to continue to increase its development and production. Canadian companies already face strong local protectionist pressure in the United States. Legislation is under consideration in Washington that would prohibit the use of Canadian steel in U.S. mass transit projects and impose a protectionist preference discriminating against Canadian urban transportation equipment.

TRANSPORTATION SERVICES

International Discussions

The department provided leadership for the Canadian delegation to the eighth session of the UNCTAD Committee on Shipping at Geneva from April 12 to 23. This session was concerned with world developments in shipping, ports and multi-modal transport, the status of the Convention on a Code of Conduct for Liner Conferences; port problems; the effectiveness of consultation machinery for resolving problems that arise between shippers and shipowners; economic consequences of the use of "flags of convenience"; and other matters of concern in international shipping.

The department also provided leadership for the Canadian delegation at sessions of the Maritime Transport Committee in Paris, dealing with general shipping policy matters and the co-ordination of views of member states of OECD on international shipping questions. Similarly, the department participated actively in an UNCTAD-sponsored inter-government working group on the economic consequences of the existence of or lack of a genuine link between vessel and flag of registry in Geneva.

Other shipping-related activities included active participation on the Canadian delegation to a diplomatic conference at Hamburg, March 6 to 31, that adopted a new convention on the carriage of goods by sea and on an inter-government preparatory group drafting a convention on multi-modal transport.

Studies and Research

The department was also involved in discussions on container standards, container safety and standards policy in the distribution of goods. Support was given to the work of the Canadian Standards Association on rationalizing pallet sizes to facilitate transport and handling of shipments.

Continued support was given to COSTPRO, the Canadian Organization for the Simplification of Trade Procedures, in developing simplified trade documentation systems.

Research activities dealt with requirements of new legislation to replace the Shipping Conferences Exemption Act, indirect shipment from Australia to Canada, shipping options for Canadian international trade, tolls on the St. Lawrence Seaway, the significance of "flag of convenience" shipping in the carriage of Canadian trade, the role of state trading fleets in Canadian trade and the transportation of potatoes from the Maritime Provinces.

Other studies were concerned with cross-border container traffic, the competitiveness of Canadian routings relative to routing through United States ports, constraints affecting the flow of containers through Canadian Pacific Coast ports and competitive advantage in terms of availability and cost of transport to selected export markets.

Air Transport

In air transport, the department was concerned with capacity and conditions of shipment for cattle and poultry exports, the need for domestic advance booking charter airservices to stimulate tourism, and assessment of possible domestic uses of the de Havilland DASH-7 STOL aircraft. A more active role than heretofore was taken in international air relations in close co-operation with the departments and agencies traditionally providing leadership in this area.

INDUSTRY SECTOR TASK FORCES

Subsequent to the mid-February conference of First Ministers, a task force of business, labour, academic and federal and provincial government representatives was formed for each of 21 sectors of manufacturing as well as for the construction and tourism sectors. Each task force consisted of approximately 20 to 25 participants, 13 to 15 of whom were industry representatives and two to three of whom were officials of organized labour.

As well, each group included at least one academic, one federal government participant (the director general of the appropriate industry sector branch of Industry, Trade and Commerce) and one representative from each province interested in the particular sector.

The industry representation took into account regional interests and was reasonably distributed between small and large firms. Ontario, Quebec, and British Columbia took part in all task forces while other provinces participated more selectively, with only Alberta absent.

A representative of industry chaired each task force and the position of secretary was filled by the federal government participant. Each secretary was supported by a resource group of employees from Industry, Trade and Commerce. There were also representatives from other federal departments as required.

Each task force was given the mandate to examine its sector, using as a base the profiles and overview papers prepared by federal departments. Specifically, they were charged with producing, by June 30, 1978, reports which addressed the major issues confronting their industries, together with specific recommendations to ameliorate problems, exploit opportunities and generally stimulate economic activity in their sectors.

These recommendations were to involve not only actions to be taken by governments but, it was hoped, would include concrete suggestions for private sector initiatives to be taken in order to capitalize on opportunities arising from government action to make framework and other policies more conducive and stimulative to industrial development.

The plan also called for examination of the specific sector reports by a co-ordinating group to ensure coherence and consistency among sectoral recommendations and suggestions for macro and framework policy measures. The overview report is to be reviewed in conjunction with the 23 sector specific reports by federal and provincial ministers of industry and tourism later in the year.

DISTRIBUTION SERVICES

The Distribution Services Branch is a new industry sector branch in the department, responsible to the Assistant Deputy Minister, Industry and Commerce Development. Its objectives are to study the major service sectors not otherwise covered by the department and to develop relevant industry profiles, policy recommendations and action plans.

The branch is organized in three divisions: Food and Drug, Wholesale and Retail; General Merchandise, Wholesale and Retail; Distribution and Services (trading houses, franchising, automotive retailing, warehousing and trucking). Major activities in the initial organizational months have been concentrated on industry contact and sector profile development.

FINANCIAL INSTITUTIONS AND CORPORATE LIAISON

The Financial Institutions and Corporate Liaison Branch was formed in 1977 as a policy advisory group focussing on corporate financial markets and financial institutions in the private and public sectors as they relate to industrial and trade development. The principal federal government institutions and programs with which the branch is involved include the Export Development Corporation, the Federal Business Development Bank, the Canadian International Development Agency and the Small Business Loans Act.

Particular attention has been paid to the availability of commercial term debt financing in Canada as provided by the federal government and private sector financial intermediaries. The administration of one debt financing assistance program, the Small Business Loans Act, was transferred to the department during the year. The branch also participated in international efforts to regulate official export credits, which culminated in a renewal of the International Consensus on Export Credits effective April 1, 1978.

GRAIN MARKETING

Adverse weather in a number of major producing countries in the northern and southern hemispheres resulted in wheat harvests being below the record production level of the previous year. Coarse grains fared better with production about equal to 1976. In spite of strong competition and generally low world prices for grain over much of the crop year, Canadian wheat and rapeseed sales were at record levels.

Exports of the six major grains amounted to 21 million tonnes, of which wheat and flour account for 16 million tonnes, barley 3.3 million tonnes and the major oilseeds 1.3 million tonnes in the 1977/78 crop year.

Programs

The credit grain sales program continued to make an important contribution, covering about 40 per cent of wheat exports and some quantities of barley.

The Grains and Oilseeds Marketing Incentives Program (GOMI), now in its seventh year, encourages market development through market identification/promotion, product/process development and Canadian capability assistance. Expenditures in the year were \$1 million.

Advances issued to producers under the Prairie Grain Advance Payments Act are expected to reach \$120 million, close to the total of the previous year. This reflects some continuation of the reduced grain delivery opportunities experienced in 1976/77. Interest costs which are borne by the government amounted to \$3,478 million, about one-third more than the level of the previous year.

Payments under the Two-Price Wheat Act, which maintains the price for Canadian consumers at \$3.25 a bushel, were \$26.3 million. This represents a decrease of more than 50 per cent from the previous year.

Pilot Plant

POS (Protein, Oil, Starch) Pilot Plant, a unique industry-government venture, was officially opened in July in Saskatoon. Making use of Canadian agricultural resources, the non-profit corporation will develop new food technologies and help to increase value-added processing. The federal government has paid 90 per cent of the facility's capital cost of \$5 million. This \$4.5 million contribution was completed in 1977/78. The government will also contribute toward operating deficits over the initial five-year period up to a maximum of \$3 million.

Grains Institute

The Canadian International Grains Institute helps to maintain and enlarge markets at home and abroad with instructional programs for countries that buy Canadian grains and for the Canadian grain industry. Nine courses involving participants from 23 countries were given during the year, including one in Cuba. The department shares the cost with the Canadian Wheat Board on a 60/40 basis. The department's share was \$619,444.

International Exchange

Joint government/industry marketing visits were made to Britain, Japan and the United States. There were incoming missions from Japan and Israel relating to the feedgrain and oilseeds sectors.

Early in the fiscal year a series of four international missions on technology development in plant and other novel proteins was completed. The mission teams were made up of representatives from government, industry and universities. They visited selected countries in western and eastern Europe, the U.S., Japan and Australia.

Rapeseed

The Rapeseed Utilization Assistance Program, administered by the Rapeseed Association of Canada, provides assistance for research and development in rapeseed utilization. In 1977 the department provided the Rapeseed Association with a grant of \$325,000 for the operation of the program. Funding in order of magnitude went for research on rapeseed followed by rapeseed oil and other areas.

Expenditures in the Grains Program were: operating expenditure \$1,613,000; grants and contributions \$107,500,000.

PERSONNEL

Human Resource Planning

Restraint in the growth of many years has led to the introduction of new initiatives designed to facilitate employee development, communication and productivity.

Consultative meetings between management and all staff associations representing employees of the department are held on a regular basis. New department activities or changes in existing ones which will affect employees in general are communicated and discussed. General problems identified by employee representatives are tabled for management study or action. In an overall sense, these meetings provide a forum for communicating and understanding those issues which arise from normal operations that are unique to this department and its staff.

An Employee Assistance Program has been established in the past year and provides an elective consulting service for individuals to discuss any problem in confidence. Most of these discussions are career related and often deal with organizational or personal problems which affect progress towards new responsibilities or the carrying out of current duties. In other cases, managers may refer employees to the service where a problem related to performance has been identified.

A number of new training programs have been developed which also focus on improvement of both managerial and employee skills as well as self-development. These include a management supervisory seminar (with modules in performance evaluation, managing problem employees, staff relations and consulting skills), handling the employment interview, employee orientation, etc.

In every case, these initiatives, which are only some of the more visible expressions of the whole human resource planning effort, address improved employee development opportunity, improved communications and improved productivity.

Industry, Trade and Commerce

STATEMENT OF EXPENDITURES

for the Fiscal Year 1977-78

	<u>(\$'000)</u>	<u>(\$'000)</u>
<u>Trade Industrial Program</u>		
Operating Expenditures		
Salary and superannuation	65,673	
Other	<u>40,640</u>	106,313
Grants and Contributions		
Enterprise Development Program	34,510	
Industrial Research and Development		
Incentives Act	16,438	
Defence Industry Productivity Program	43,210	
Program for Export Market Development	5,700	
Capital subsidies for the construction of commercial and fishing vessels	54,606	
Metric conversion	121	
Miscellaneous	<u>5,918</u>	160,503
Loans and Investments		
Loans under the Enterprise Development Program	4,200	
Loan to assist defence manufacturers with defence plant modernization	4,305	
Loans under the footwear and tanning industries adjustment program	355	
Loans to Canadair for the financing of water bombers	2,802	
Loans to de Havilland Aircraft of Canada Ltd. re: DHC 7	33	
		<u>11,695</u>
		<u>278,511</u>
<u>Tourism Program</u>		
Operating Expenditures		
Salary and superannuation	7,584	
Other	17,109	24,693
Grants and Contributions		
Miscellaneous		<u>847</u>
		<u>25,540</u>

Grains Program

Operating Expenditures

Salary and superannuation	1,177	
Other	<u>750</u>	1,927

Grants and Contributions

Credit wheat sales	6,771	
Payment to the Canadian Wheat Board to cover carrying charges on reserve stocks of feed grain	2,994	
Payment to the Canadian Wheat Board for the purchase of covered grain hopper cars	2,343	
Prairie Grain Advance Payment Act	3,478	
Two-price wheat	21,860	
Western Grain Stabilization Program	57,980	
Payments to Canadian wheat producers	4,500	
Miscellaneous	<u>7,573</u>	107,499
		<u>109,426</u>

Total department		<u>413,477</u>
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Industry, Trade and Commerce

STATEMENT OF REVENUES

for the Year Ended March 31, 1978

Return on Investments	<u>(\$'000)</u>
Interest on loans to Export Development Corporation	91,808
Interest on loans to Federal Business Development Bank	40,249
Interest on loans to assist manufacturers of automotive products	2,080
Interest on loans to assist the pharmaceutical industry	47
Interest on loans to assist the footwear and tanning industries	79
Sundry	278
Miscellaneous revenue	2,547

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Department of Industry, Trade and Commerce

ANNUAL REPORT

1978 - 79




OTTAWA

The Honourable Herb Gray
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual report of the Department of Industry, Trade and Commerce covering activities during the period April 1, 1978 to March 31, 1979.

Respectfully submitted



Robert Johnstone
Deputy Minister

OTTAWA

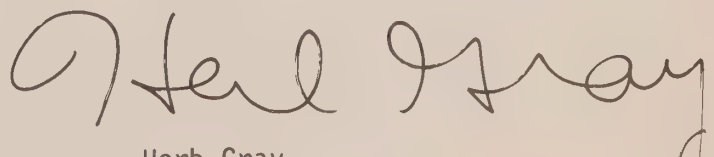
To His Excellency
The Right Honourable Edward Schreyer, C.C.
Governor General of Canada

May it please your Excellency:

I have the honour to submit to Your Excellency the annual report for the Department of Industry, Trade and Commerce covering the period April 1, 1978 to March 31, 1979.

A summary of the Department's policies, activities and services is laid before Your Excellency.

Respectfully submitted



Herb Gray
Minister of Industry, Trade
and Commerce

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HIGHLIGHTS

The Department of Industry, Trade and Commerce promotes the development of a strong industrial base in Canada and encourages the sale of Canadian goods and services abroad. Fiscal year 1978-79 was an active period for the department. Among the more important developments were these:

- * Canadian exports totalled \$52.5 billion during 1978 while imports were \$49.1 billion for a record \$3.4 billion surplus in merchandise trade. There was a 40 per cent increase in exports of fully manufactured goods.

- * More than 200 Canadian businessmen took part in 27 ITC trade missions to 43 countries. At the same time, a total of 802 companies participated in 56 trade exhibits around the world. On-site sales were estimated at \$27 million.

- * New industrial strategies were announced for the shipbuilding and forest products sectors. These policies arose from a series of consultations between governments, industry, labour and the academic community, begun in 1977.

- * Federal support for the agriculture, fish and food products industries became available through the Program for Export Market Development (PEMD). About \$7 million was provided through PEMD during the year, assisting in the creation of an estimated \$1.5 billion worth of export sales.

- * The Enterprise Development Program (EDP) was expanded to assist companies affected by tariff changes resulting from the multi-lateral trade negotiations (MTN). A total of \$135 million was provided to 146 firms in the form of adjustment assistance loans and guarantees. A total of \$39 million was made available for 254 projects involving innovation or product development.

- * Clothing import controls were removed during the year and replaced on January 1, 1979, by a number of voluntary restraint agreements bilaterally negotiated with Canada's major low-cost suppliers.

- * The tourism industry expanded during the year as more than 13.5 million foreigners visited Canada. However, the tourism deficit increased from \$1.6 billion in 1977 to \$1.7 billion in 1978.

- * A private/public risk insurance program was launched to increase the flow of private financing for small business. More than 130 manufacturing firms received loan insurance totalling \$105 million.

- * More than 7 800 loans, valued at more than \$190 million, were made to small businesses.

- * A task force was established to examine opportunities for technical and industrial participation in large domestic projects by Canadian firms.

- * A review committee was set up to study the federal government's export promotion services.

- * Ten Business Information Centres were opened in ITC regional offices across Canada to advise businessmen on programs and services extended by the federal government.

- * Ministerial missions visited Japan, Korea, the People's Republic of China, Indonesia, the Philippines, Trinidad and India.

ENTERPRISE DEVELOPMENT

Programs

The Enterprise Development Program, designed primarily for small to medium-sized businesses, provides assistance to manufacturing and processing firms to increase their viability and international competitiveness. The program encourages innovation in the design and development of new or improved products or processes and helps companies adjust to changing competitive circumstances.

The program is administered by the Central Enterprise Development Board and 10 regional boards which can provide up to \$200 000 in assistance to firms with annual sales of less than \$5 million.

EDP provides:

1) insurance of up to 90 per cent in support of term loans made by private lenders

for restructuring operations or supplementing working capital when normal financing is not available on reasonable terms;

2) grants, up to 75 per cent of eligible costs, for research and development projects if the project in question represents a significant burden on company resources;

3) grants, up to 75 per cent, to engage consultants for market feasibility studies, productivity enhancement studies, product development and design and pollution technology projects.

Special assistance is also available for:

1) loan insurance and consulting grants to encourage restructuring in the footwear or tanning industries;

2) loan insurance and consulting grants to facilitate mergers and acquisitions of manufacturing and processing firms.

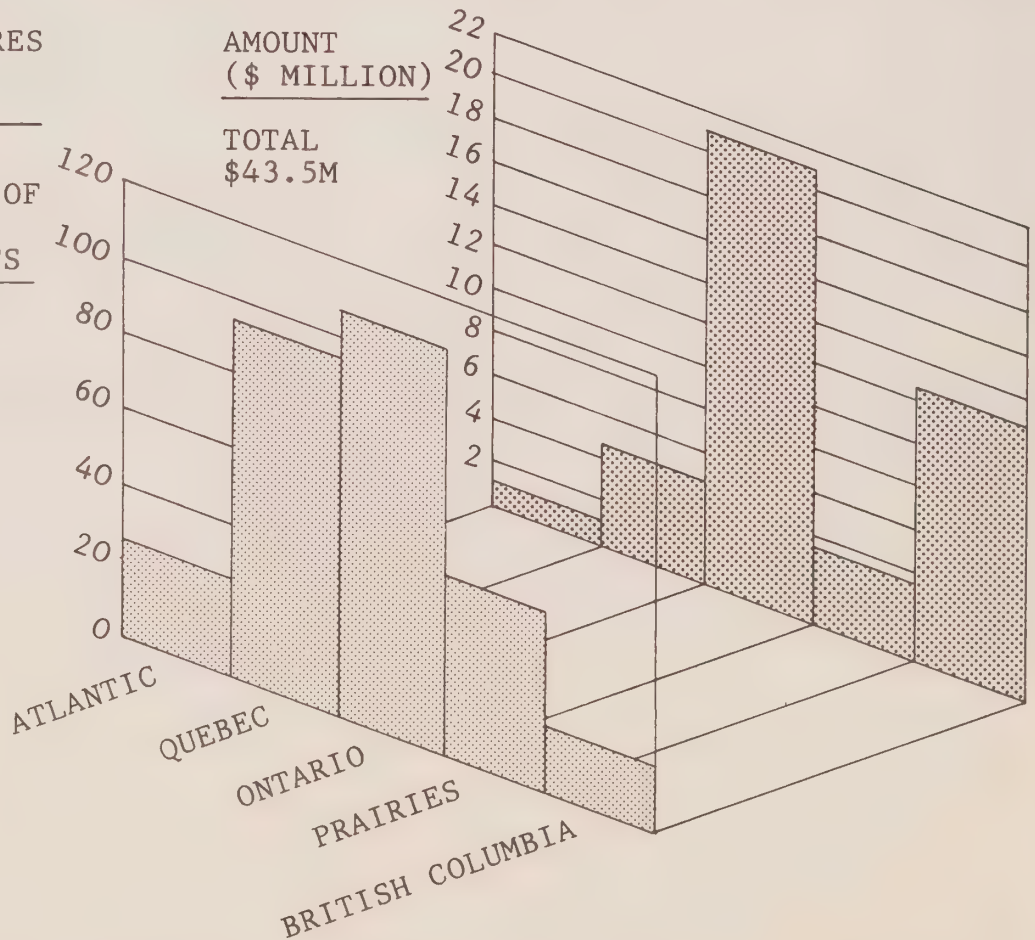
EDP EXPENDITURES
BY REGION
1978-79

NUMBER OF
OF
PROJECTS

TOTAL
285

AMOUNT
(\$ MILLION)

TOTAL
\$43.5M



During the year, EDP regulations were modified to provide new forms of assistance covering mergers and acquisitions, injury resulting from tariff negotiations, investment in certain types of intellectual property, pollution abatement projects, and product identification and market testing projects. The regulations were also amended to provide for 100 per cent loan insurance for the footwear and tanning industries and a change in the cost ratio for innovation, design and consulting projects.

The central and regional boards authorized 146 adjustment assistance loan guarantees or loans valued at \$135 million during the fiscal year. They also provided \$39 million in contributions towards the cost of 254 innovation and product development projects.

Innovation projects covered a wide industrial range including machinery, electronic instruments, ship components, communications equipment, automotive vehicles and parts, building components, textiles, sporting goods and various chemical processes.

A total of \$2.3 million was approved for 128 projects concerned with productivity improvement, industrial design capability and consulting assistance in developing restructuring proposals. Regional boards approved 60 projects, valued at \$544 000.

More than 130 manufacturing firms received loan insurance totalling \$105 million. Seventy-two of the loans, totalling \$7.2 million, were authorized by the regional boards.

The program provided \$5.5 million in direct loans to the footwear and tanning industry and \$21.4 million in insurance to assist in financing sales of the Dash-7 aircraft and computer hardware.

Assistance was provided in all regions of the country and to all industrial sectors. Greatest activity occurred in the consumer products, marketing and electrical and electronics sectors.

Export Market Development

The Program for Export Market Development (PEMD), established in 1971 to develop and increase Canadian exports, shares with the business community the financial risks of entering foreign markets.

The program has five sections covering specific project bidding, market identification, participation in trade fairs, incoming buyers and formation of export consortia.

During the year the department received almost 2 500 applications for PEMD assistance. More than 1 000 Canadian business-

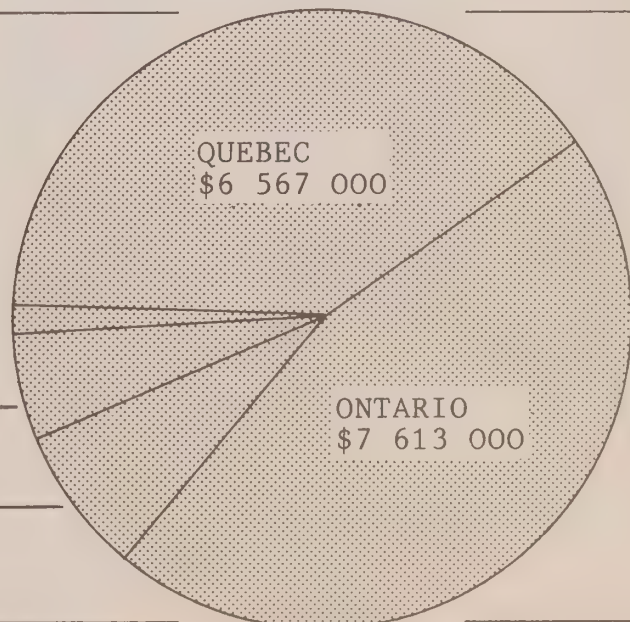
EXPENDITURES UNDER THE PROGRAM FOR EXPORT MARKET DEVELOPMENT FISCAL YEAR 1978-79

TOTAL \$11 294 000

ATLANTIC
\$255 000

BRITISH COLUMBIA
\$864 000

PRAIRIES
\$1 280 000



ses, including 242 new companies, received a total of \$7.1 million, a 24 per cent increase over the previous year. The department has recovered \$1 million since the program began in 1971. Companies reported that PEMD assistance was involved in \$1.5 billion of export sales. A total of \$3.7 billion sales has been generated with PEMD assistance since the program began.

The most active industrial sectors were commercial and institutional buildings, industrial plants, transportation and primary resources. The Middle East, Africa, Asia and Latin America were the most active geographic areas.

Successful projects included:

- a \$7.1 million sale of flight simulators to Singapore;
- a \$15.6 million contract for management of a computing data processing centre in Saudi Arabia;

- a \$530 000 contract to provide consulting engineering and management services in Iran;

- a \$1.7 million sale of saw equipment to Brazil.

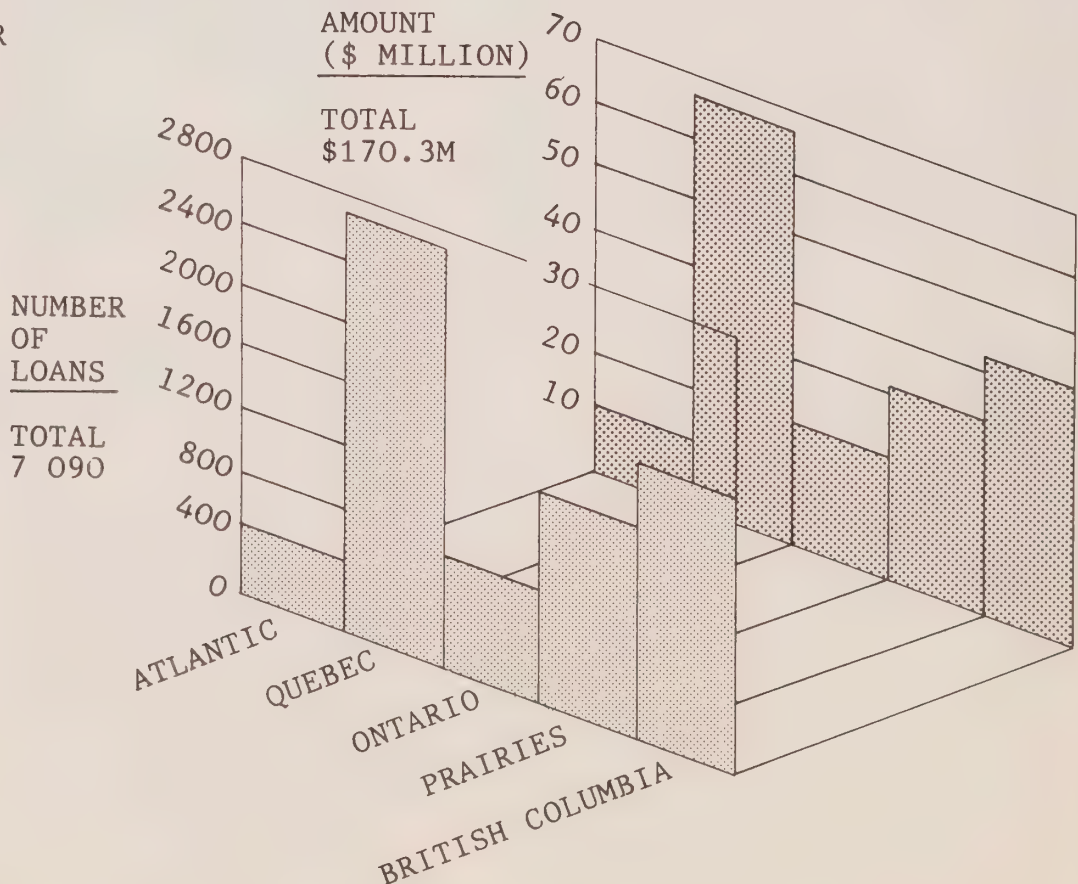
During 1978-79, PEMD was expanded to include U.S. market identification and incoming buyers missions and to share the cost of developing and implementing foreign market penetration plans.

Small Businesses Loans

Administration of the Small Businesses Loans Act was transferred from the Department of Finance to the Department of Industry, Trade and Commerce April 1, 1978.

The program encourages lenders in the private sector to make term loans for capital improvements by small Canadian businesses. The loans are guaranteed by the federal government. The maximum interest rate is bank prime plus one per cent. The maximum term is 10 years.

LOANS UNDER THE SMALL BUSINESSES LOAN ACT, 1978, BY REGION



During the year, 7 844 loans for \$190 074 576 were made compared to 5 259 loans valued at \$109 637 772 during 1977-78.

Defence Industry Productivity

The Defence Industry Productivity Program helps develop and maintain technological capabilities in Canada, thereby generating exports. The program operates under international agreements for defence development and production sharing. It supports selected development programs, pays one-half of the cost of acquisition of new, advanced equipment required for plant modernization and supports establishment of production capacity and production of component parts and materials.

Forty-seven projects, generating \$590 million in sales, were completed during

the fiscal year. One hundred and seventy projects were contracted. Expenditures totalled \$52 million.

Sixty per cent of sales generated under the program were in the defence market while 40 per cent were related civil exports. Almost 85 per cent of defence sales were to foreign markets.

Industry Energy Research and Development

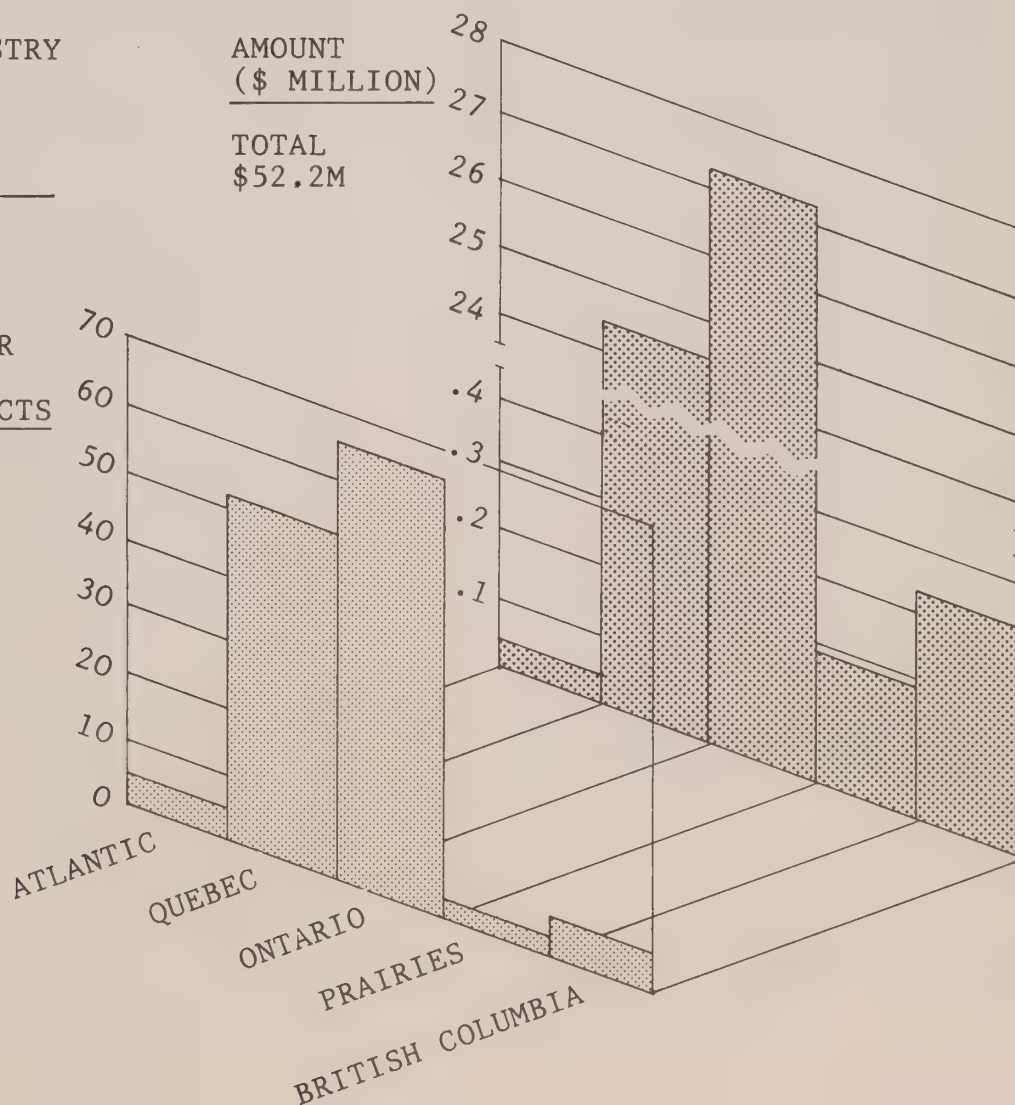
The Industry Energy Research and Development Program, introduced in October, 1977, assists Canadian industry in research and development of new and improved processes to reduce industrial energy consumption. The program also helps promote and market this technology.

DEFENCE INDUSTRY PRODUCTIVITY EXPENDITURES BY REGION 1978-79

AMOUNT
(\$ MILLION)
TOTAL
\$52.2M

NUMBER OF PROJECTS

TOTAL
127



Since its inception, 10 projects valued at \$1 822 000, have been approved. The department contributes up to 50 per cent of estimated costs.

Small Business

The department continued to implement the Government's 10-point plan for small business. This plan was announced in 1977 to strengthen this sector.

During the year 11 000 manufacturers were exempted from federal sales tax because their annual sales were below \$50 000. Action was taken to free small manufacturers from tax on the purchase or import of production machinery.

Legislation was passed to allow a tax deferral of up to \$200 000 in capital gains on transfer of a small business holding from a parent to children or grandchildren. Amendments were made to the Income Tax Act allowing broader deductions for capital losses. The losses can now be deducted against income from any source. Previously, losses could be deducted only from capital gains.

During the year more flexibility was introduced in filing federal sales and excise tax returns. As a result, about one-half of Canada's small businesses will file bi-annually or quarterly rather than monthly.

Large companies awarded contracts from the Department of Supply and Services must now show how small businesses will be offered sub-contracts. As well, companies bidding on government contracts must include plans to sub-contract to small business.

Several provinces studied the Hamilton-Wentworth experiment in large firm/small firm cooperation. The program, started in 1977, may be established in other Canadian centres.

The Small Business Intern Program, designed to place community college and university graduates into small businesses, had a successful introduction as more than 1 000 interns, 30 per cent of

whom were females, were located in small businesses across Canada. Fifty-seven per cent of the interns were placed in Ontario and Quebec, 25 per cent in Western Canada and the Territories, and 18 per cent in the Maritime provinces. The graduates were placed in: manufacturing, 32 per cent; services, 29 per cent; retail or wholesale, 19 per cent; construction, 8 per cent; finance or insurance, 3 per cent; agriculture or fisheries, 2 per cent; mining, 4 per cent.

Technology

Twelve awards were made to eight universities under the Technological Innovation Studies Program during the year. Three awards were for the development of university courses on technological innovation and entrepreneurship for science, engineering and business students.

Discussions were held with university and provincial officials on the establishment of industrial innovation centres at the University of Waterloo and l'École Polytechnique de Montréal.

The department provides grants which encourage universities to undertake research and development projects and provide technical advice to the private sector. In addition to the awards, grants were made to five centres of advanced technology.

Grants were also made to centres of advanced technology established at provincial research organizations.

The department continued to support the Welding Institute of Canada, the Canadian Gas Research Institute and the Sulphur Development Institute of Canada. It was announced that an industrial research association for masonry and masonry products would be established.

The Technology Advancement Council for Computer-Aided Design and Manufacturing was established by the department to distribute information and promote use of CAD/CAM. The council works closely with

other government departments, universities and industry.

The department continued to support development of the Canadian space industry. The industry was briefed on government plans for future space activities. The department also arranged a briefing for Canadian industry on contracting procedures used by the European Space Agency. Canadian space industry firms participated in an international satellite communications conference in Lima, Peru.

The department continued to develop policies and programs for standardization certification and to support the reduction of trade barriers caused by standards, test methods and certification procedures. It participated in the standardization activities of inter-governmental organizations and of non-governmental organizations including the Standards Council of Canada, the International Organization for Standardization and the International Electrotechnical Commission.

Design Canada

The National Design Council promotes design in product development by the private sector. During the year Design Canada organized three council meetings and a number of advisory committee meetings. Two new committees, industry relations and promotion and awareness, were created.

The Employment Opportunities in Product Development Program was developed to encourage secondary industry to recognize the importance of design and product development. More than 770 companies in five provinces participated in the program and 1 366 interns were employed.

The professional development committee was expanded and sub-divided into a design industry group, concerned with professional development, and a group concerned with National Design Council education programs. This committee awarded grants to:

- the Association of Ontario Deans of Engineering, to stage a design workshop;
- l'Université de Montréal, for research on design for the handicapped;

- Carleton University, to stage industry seminars in conjunction with an Olivetti exhibit;

- the Ontario College of Art, to stage, in conjunction with the Government of Ontario, a design workshop and seminar for teachers of science, technology and design at the secondary and post-secondary level.

Fifteen scholarships were awarded by Design Canada during the fiscal year. Eleven of these were awarded for studies in industrial design while four were for studies in graphics.

The National Congress of Italian Canadians contributed \$5 000 to a \$15 000 National Design Council scholarship in December to support a practising designer to work and/or study in Italy during 1979-80.

The newly-formed promotion and awareness committee is developing strategy for the council. Case studies were produced on the Versatile tractor, the U-Vic Thermo-float life-saving jacket, the Otaco mass-transit seating and the Exerpacer heart rate indicator.

Financial Institutions and Corporate Liaison

The Financial Institutions and Corporate Liaison Branch studies financial institutions, markets and instruments. The branch formulates policy and advises the department on:

- financial Crown corporations including the Federal Business Development Bank, the Export Development Corporation, the Canadian International Development Agency and the Canada Development Corporation;
- financial aspects of other Crown corporations and agencies;
- financial institutions and markets including banks; investment, insurance and surety companies; and capital markets;
- the financial trends, structures and activities of Canadian industry.

In cooperation with the Department of Finance, a review was completed in October recommending the continuation of long-term debt financing programs and further integration with private financial markets. A new policy on Credit Insurance for Junior Industrial Debt, announced in March, will increase the flow of private financing to junior companies through a joint private/public sector insurance scheme.

The branch studied the competitiveness of Canadian export financing during the year. It also participated in a task force study of export financing for agriculture products and participated in international efforts to regulate export credits.

INTERNATIONAL MARKETING

Trade Commissioner Service and Field Operations

Trade Commissioner Service and Field Operations maintained 11 Canadian regional offices and 90 posts in 67 countries during 1978-79.

Decentralization of departmental programs greatly extended the role of the regional offices. Twenty-six officer and 32 support positions were transferred to regional offices to cope with these increasing demands. The offices provide a broad range of trade and industrial development assistance to industry and are focal points for the department's relations with the provinces.

The regional offices were active in a number of trade and industrial development activities in the past year, many in co-operation with the provinces and industry.

Ten Business Information Centres were established in ITC regional offices to provide information on government programs.

The trade posts play a significant role in trade relations, trade policy and export development. Posts report trade opportunities and economic and commercial developments to headquarters.

Canadian interest in exports is increasing significantly and posts are providing greater assistance to the Canadian exporting community than ever before. Export enquiries rose to 99 600 and the number of visitors increased to 23 790. There were 2 471 new buying connections established for Canadian companies.

The Consulate in Puerto Rico was closed and overall, the trade commissioner service was reduced to 234 Canada-based officers and 169 locally-engaged commercial officers. These steps were taken in response to government austerity measures.

Office of Overseas Projects

The Office of Overseas Projects assists Canadian companies seeking contracts for capital projects abroad.

Activities are concentrated in the lesser developed countries where fully-integrated projects are most often required. Appropriate foreign projects are identified and Canadian industry assisted in developing consortia to respond to these opportunities. More than 200 projects are being monitored.

The office coordinates the operational aspects of export financing with the Export Development Corporation, the Canadian International Development Agency, the World Bank, the Inter-American Development Bank and various other regional banks and international financing institutions. Competitive financing accommodations and special mechanisms are arranged for Canadian exporters. Two recent contracts are the Qussem rural electrification project in Saudi Arabia, worth approximately \$800 million, and the Rhourde Nouss natural gas gathering and treatment project in Algeria, valued at \$625 million.

The office also administers a technical assistance program designed to provide public sector expertise on a cost recoverable basis to improve Canada's export marketing performance. Agreements have been reached under the program to provide two airports and a prison complex for the Government of Trinidad and Tobago. Construction costs will be \$150 million for the airports and \$50 million for the prison.

The office is working with the insurance sector to develop a program to cover "unknown" or "residual" risks for companies pursuing capital projects abroad.

Promotional Projects

The Promotional Projects Program spent \$4.86 million in 1978-79 to promote the sale of Canadian goods and services abroad.

The program initiated participation by 802 companies in 56 trade exhibits. Information booths were set up at another 15 trade fairs. On-site Canadian sales from these shows were estimated at \$27 million while follow-up sales should reach \$250 million.

More than 200 Canadian businessmen participated in 27 ITC-sponsored trade missions to 43 countries. As well, businessmen and government officials from 28 countries were brought to Canada. Foreign buyers and trade delegates from 29 countries studied Canadian industrial capabilities.

The Minister of Industry, Trade and Commerce led missions to Japan, Korea and the People's Republic of China. The Minister of State for Small Business, accompanied by representatives of the business community, visited India.

A Canada Trade Centre was opened at the new World Import Mart in Tokyo. The Japanese government established the Mart to encourage imports of manufactured goods. During the year, Canada displayed fur garments and jewellery, ocean industries technology and automotive parts and equipment at the centre.

Export Canada 79

In November, a task force was created to explore the feasibility of a special export drive by small and medium-sized companies to the United States.

The task force consulted with various areas of the department, industry and trade officials in each province, and industry associations. It also reviewed the industry sector task force reports.

Factors frequently mentioned favouring a special effort in the U.S. market included:

1) The level of the Canadian dollar offered Canadian manufacturers a significant price advantage in the U.S. market;

2) Canadian labour rates appeared to be more in line with international competition;

3) Canadian manufacturers need to penetrate new export markets and expand export sales in preparation for the eventual outcome of the MTN;

4) Some manufacturing sectors appeared to have market opportunities in the United States and excess capacity in Canada.

The task force report recommended a special export drive to the United States for small and medium-sized companies wishing to penetrate the market for the first time or to expand current U.S. export activities. The proposal included a program of in-depth practical educational workshops to prepare firms for business in the United States. As an integral part of the program, a second phase emphasizing specific trade events with particular potential for increased exports to the United States by small and medium-sized companies was recommended. Supplementary funding of \$1.8 million was requested to support this initiative.

Defence Programs

The department continued to coordinate Canada's industrial cooperation with NATO allies in the research, development and production of military equipment. Meetings were held with Britain, France, the Federal Republic of Germany, Italy, The Netherlands, Norway and Sweden. Increased emphasis was placed on international and bilateral cooperation with the United States under the Canada/United States Defence Production and Development Sharing Arrangements.

Programs were identified for Canadian industry in advanced technology for electronics, navigation and transportation equipment. Many of the programs have commercial application. Canada continued to

receive world-wide recognition for excellence in military communications equipment, avionics, navigation and flight safety systems, aircraft simulators, unmanned surveillance drones, STOL aircraft, jet engines for small aircraft, landing systems for helicopters and collapsible helicopter hangars for installation on naval vessels.

Canadian industry was assisted in identifying market opportunities in NATO and other friendly countries. Exports of defence equipment reached \$408.1 million while imports totalled \$370.4 million.

INTERNATIONAL TRADE RELATIONS

Office of General Relations

Multilateral Trade Negotiations

The Multilateral Trade Negotiations intensified throughout the fiscal year. A framework for concluding negotiations was reached among the major participants in July, 1978. It was agreed to work for settlement by mid-April, 1979.

Canada's objective in these negotiations is to lower trade barriers and to create an environment which will help Canadian industry, agriculture, and fisheries grow and develop through increased export sales. Canada sought an improved and more certain world trading framework while preserving appropriate levels of tariff protection for Canadian producers and ensuring that the Government would be able to deal adequately with unfair and disruptive import competition.

Negotiations were substantially concluded on international agreements within the framework of the General Agreement on Tariffs and Trade, including:

- a new agreement on Subsidies and Countervailing Duties;
- a code on Technical Barriers to Trade (product standards, test methods and certification systems);
- agreements on customs valuation, government procurement practices, and import licensing.

Negotiations were also close to conclusion on an Agreement on Trade in Civil Aircraft. This agreement will remove tariffs on civil aircraft engines and parts and cover trade problems created by government involvement in the procurement of civil aircraft and in the development of the aerospace industry world-wide. International arrangements were well advanced on meat and dairy products.

Through the rules and guidelines which have been negotiated, and the mechanisms which have been created for international surveillance, consultation and dispute

settlement, the new Non-Tariff Measures Agreements should help bring major non-tariff measures under effective international control.

Commodity Trade -- Multilateral

Canada participated in negotiations for a new International Wheat Agreement and an International Natural Rubber Agreement. Negotiators failed to reach accord and discussions will continue in 1979-80.

The International Cocoa Agreement of 1976 was extended for two years. A negotiating conference, called for January, 1979, did not reach agreement and will reconvene later.

The International Sugar Agreement, the International Coffee Agreement and the International Tin Agreement continued in effect and Canada played an active role as an importing member in these organizations.

A series of intergovernmental consultations took place on individual commodities within the framework of the UNCTAD Integrated Program for Commodities. Under discussion were: copper, tungsten, iron ore, jute, tea, phosphates, hard fibres, cotton, oils and oilseeds, meat and tropical timber. In addition, Canada took an active part in the International Lead/Zinc Study Group focus on continuing difficulties in the world zinc economy.

Office of Special Import Policy

A global quota on clothing imports was introduced in 1976. It was replaced on January 1, 1979, by a series of bilaterally negotiated restraint arrangements as recommended by the Textile and Clothing Board. Arrangements were concluded with major low-cost suppliers: Hong Kong, South Korea, The People's Republic of China, the Philippines, Poland, Romania, Thailand, Macao and Taiwan. The quotas are intended to stabilize the domestic market so Canadian manufacturers can become more competitive.

A computerized system was introduced for issuing import permits covering most products on the Import Control List on January 1, 1979. Importers are now able to obtain permits directly from customs brokers in certain major centres.

Import controls were maintained or renewed during the year on: footwear, dairy products, beef, veal, turkeys, eggs, coffee, sugar and cocoa. Chicken was placed on the Import Control List for surveillance following the establishment of a National Chicken Marketing Agency.

Purebred cattle were removed from the Export Control List in March.

Eastern Europe

Canadian exports to Eastern Europe increased by 45 per cent in 1978 to a record level of \$922 million. Imports increased by 17 per cent to \$250 million.

Grains accounted for 59 per cent of total exports while shipments of non-grain items nearly doubled in value to \$374 million. There was a 50 per cent gain in sales of fully manufactured goods, primarily machinery and equipment, to a total of \$119 million.

Sixty-one per cent of Eastern European exports went to the Soviet Union, Canada's largest market in the region.

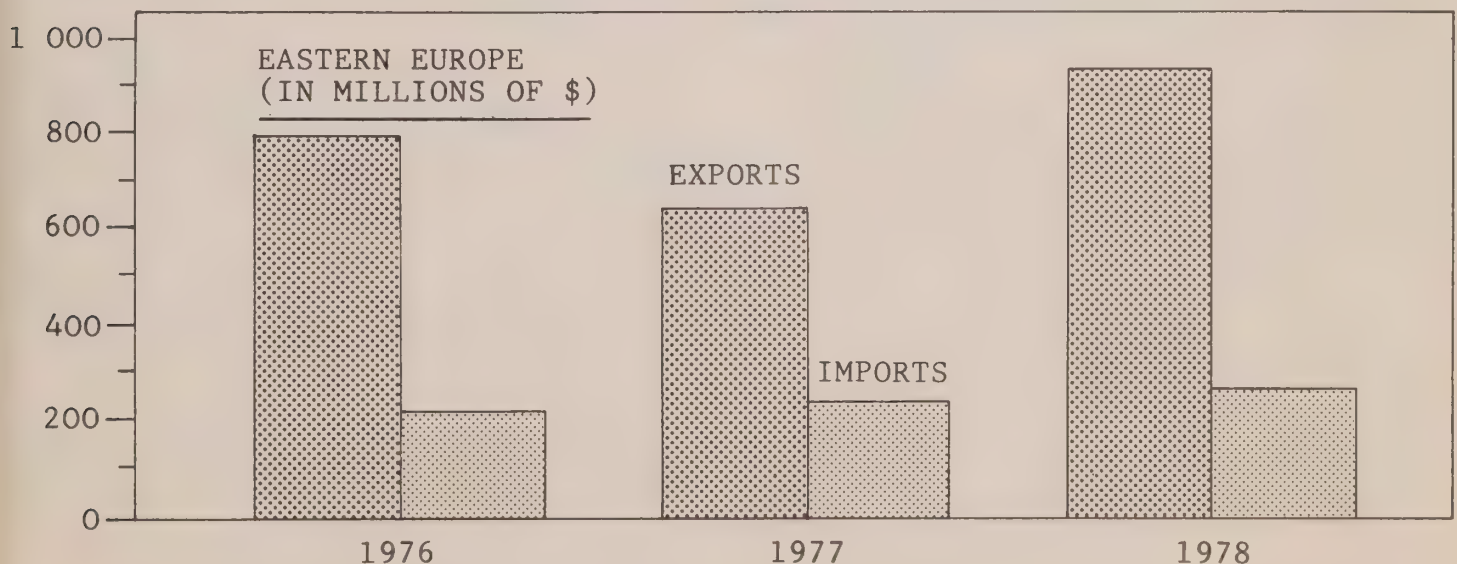
The second meeting of the Canada/U.S.S.R. Mixed Commission took place in Ottawa in October, 1978. A long-term program of cooperation was concluded and a protocol was signed extending the term of the current line of credit to the Soviet Union to the end of 1979.

Annual trade consultations were held with Bulgaria, Hungary, Poland and Romania. For the first time, such talks also took place with Czechoslovakia.

An amendment to the grains agreement with Poland increased the maximum purchase of Canadian grains by that country to 3.1 million tons. The three-year agreement ends December 31, 1979. Negotiations began on a new agreement, providing for annual deliveries of up to 1.2 million tons of grain.

A Canadian consulting firm was awarded a contract for the construction of a \$300 million papermill in Czechoslovakia. The turnkey project is being financed jointly by the Export Development Corporation and Canadian commercial banks.

Canada sold a CANDU 600 mwe nuclear steam supply system to Romania. Also during the year, the Export Development Corporation and a consortium of Canadian banks agreed to provide Romania with \$1 billion in financing for the purchase of four reactors. Romania intends to build 16 reactors over the next 20 years.



Western Europe

Canadian exports to Western Europe rose by 3.2 per cent to \$5.5 billion in 1978 while imports increased by 26.5 per cent to \$5.6 billion. Britain continued to be Canada's largest market in this region, accounting for 37 per cent of total exports. Industrial materials and agricultural products were the major exports. Finished goods made up only 12 per cent of the total.

The European Economic Community is the world's largest trading entity and Canada's second-largest trading partner. During the year, sales to the Community were \$4.8 billion while imports totalled \$4.6 billion.

A major objective of the department is to create and maintain a favourable environment for Canadian business in this region, especially in view of the multilateral trade negotiations, nearing completion as the period under review came to a close. Departmental activities can be divided into three broad areas:

1) Development of a Framework for Cooperation

A number of working groups for Canadian and EEC businessmen and officials have been created to study possibilities for industrial cooperation in specific sectors, as provided for under the Canada/EEC Framework Agreement for Commercial and Economic Cooperation. Opportunities for industrial cooperation were also discussed on a bilateral basis with a number of Western European countries. Preparations were made for a number of businessmen's workshops on Canadian and EEC policies affecting business. The first of these workshops, on EEC competition policy, was held in Ottawa in November.

2) Safeguard and Improve Access

The department identified opportunities in Western Europe which are expected to develop as the result of MTN negotiations. Discussions were held with the EEC on the alleged dumping of chemical wood pulp by Canada and on accelerated anti-dumping procedures on steel in the EEC. In addition, several access matters were raised

with the EEC and individual countries. Included were problems faced by Canadian producers of cheese, malt, flour, turkey hatching eggs, hybrid seed corn, grain screenings, seed potatoes and feeder calves. Subsidies to EEC producers or restrictive measures under the Common Agricultural Policy have restrained Canadian exports of these goods.

3) Promote Exports

Canadian goods and services were displayed in 19 Western European trade fairs during the year and a number of incoming and outgoing missions were arranged. About 35 per cent of the department's fairs and missions budget was spent in this area.

Canada held semi-annual consultations on bilateral and multilateral trade and economic matters with the EEC Commission in September and March in Ottawa and Brussels. As well, the Canada/France Working Group on Industry and Agriculture met in Ottawa in January.

In conjunction with the Industry and Commerce Development group, this section facilitated meetings between Canadian and West European businessmen.

Officials of utilities and nuclear plants and/or component purchasers in the European Community visited Canada in May, 1978, to obtain first-hand knowledge of Canadian capability to meet European requirements and the Canadian nuclear power program.

In June, 1978, representatives of 17 European Community aerospace companies visited Canada. Approximately 100 individual meetings were arranged with 22 Canadian firms.

Also in June, 11 Canadian businessmen representing several sectors of Canadian industry, including machinery and consulting, visited Finland.

A group of 14 Canadian computer industry representatives visited the European Community in September, 1978. It is estimated that over 15 distributorships will result from the mission and over \$10 million in increased export business is fore-

cast for the three-year period following the mission.

Six Canadian businessmen visited Sweden in October, 1978. Over 40 individual appointments were held with Swedish companies in addition to group meetings held with Swedish Government officials.

Thirteen representatives of the consulting, contracting and manufacturing sectors visited Italy in January, 1979.

Pacific, Asia and Africa

Canada's trade and economic relations with Japan continued to improve. Exports rose to \$3.1 billion and imports totalled \$2.3 billion.

The Minister of Industry, Trade and Commerce visited Japan in August, 1978. He met with Japanese ministers and senior officials in government and industry. The Minister highlighted sectors offering increased trade and economic cooperation. He focused on the role of Western Canada in trade with Japan and stressed Canadian priorities at the MTN.

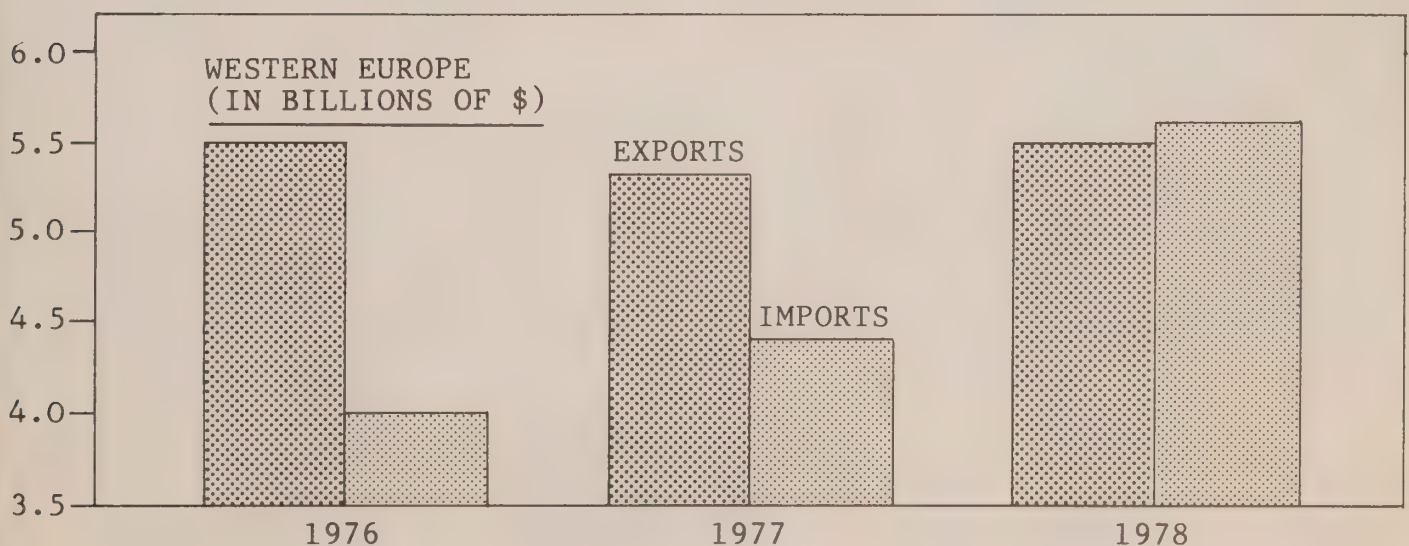
The second meeting of the Canada/Japan Joint Economic Committee was held in Tokyo in March. The committee reviewed overall trade and economic relations. Sub-groups discussed energy and mineral resources, secondary manufacturing and trade, forestry and agriculture.

Trade with Australia and New Zealand continued to rise. Two-way trade has reached almost \$1 billion. Talks were held with Australian and New Zealand officials on commodity trade, the MTN, market access for products and the future of preferential trade treaties.

Canadian trade with China reached record levels in 1978. Exports were valued at \$503 million while imports reached \$95 million. China is now Canada's largest wheat market and an important customer for non-ferrous metals, forestry products and fertilizers. Long-term supply arrangements have been concluded with China for some of these products. Sales of finished goods to China have also increased. Examples include 1978 sales of heavy mining trucks and STOL aircraft.

There are major opportunities for Canada in China's modernization plan. Canadian industry has submitted development proposals for agricultural mechanization and resource development in the ferrous, non-ferrous, forestry and petroleum sectors. Proposals were also submitted for infrastructure upgrading on power generation, communications and transportation.

Canada and China exchanged missions on pulp and paper, non-ferrous metals, telecommunications, petroleum production equipment and seeds. Canada participated at the Peking Agricultural Machinery Exhibition in October.



Bilateral discussions were initiated on an economic cooperation agreement with China. Such an agreement will work toward closer cooperation in a number of specified sectors that are outside traditional trade areas.

The Minister of Industry, Trade and Commerce led a mission of senior businessmen to China, Indonesia and the Philippines in January. The Minister stressed the importance of strengthening trade and economic relations with China. He expressed interest in continuing to be a long-term supplier of wheat and industrial materials. Discussions were also held on Canada's ability to construct turnkey plants.

The Minister met with ministers and government leaders in Indonesia and the Philippines. They discussed opportunities for Canadian firms in electric power, airports, telecommunications, transportation, oil and gas, forestry, construction and mining.

The Minister signed the Canada-Indonesia Double Taxation Agreement.

In August, 1978, the Minister led a group of senior Canadian businessmen to Korea. They met with the Korean President and Prime Minister and visited major Korean private corporations which trade with Canada.

Canadian exports to Korea underwent dramatic growth in 1978 rising by \$100 million to \$216 million. Two-way trade was in balance for the first time in the first quarter of 1979.

Canadian efforts brought about equalization of the Korean tariff on rapeseed meal with its competitive products.

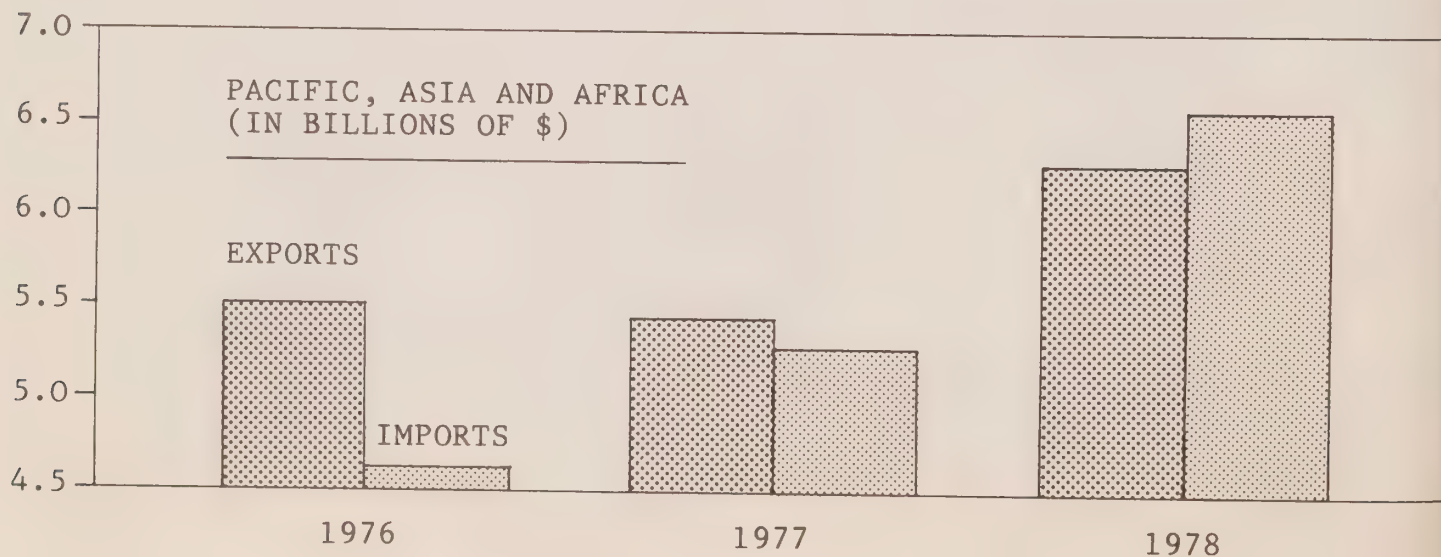
India's improved economic situation has allowed for increases in imports. Canadian government officials visited there in April to determine market opportunities. The Indian Minister of State for Commerce visited Canada and Canada's Minister of State for Small Business led a businessmen's mission to India in January.

Exports to Africa totalled \$725 million in 1978. Algeria continued to be the largest single market as Canadian sales reached approximately \$160 million. A Joint Economic Committee was established with Algeria.

Negotiations were completed for an Economic and Technical Cooperation Agreement with Nigeria. It provides for the establishment of a Joint Economic Committee.

The department participated at trade fairs in Algeria and Senegal. Trade missions, some at the ministerial level, were sponsored from African countries. The department was involved in the preparation of several provincial trade missions to Africa.

Export opportunities in the Middle East were outlined at seminars for Canadian business and industry. Trade associations, provincial governments and the department participated in the seminars. "Focus on OPEC" was part of Enterprise '78.



A new trade commissioner office was opened in Kuwait in April.

The Saudi Arabian Minister of Communications visited Canada to explore Canadian telecommunications developments.

The department participated in the Teheran and Bagdad International Trade Fairs and the construction industry fair at "Ara-build" in Bahrain.

Western Hemisphere

United States

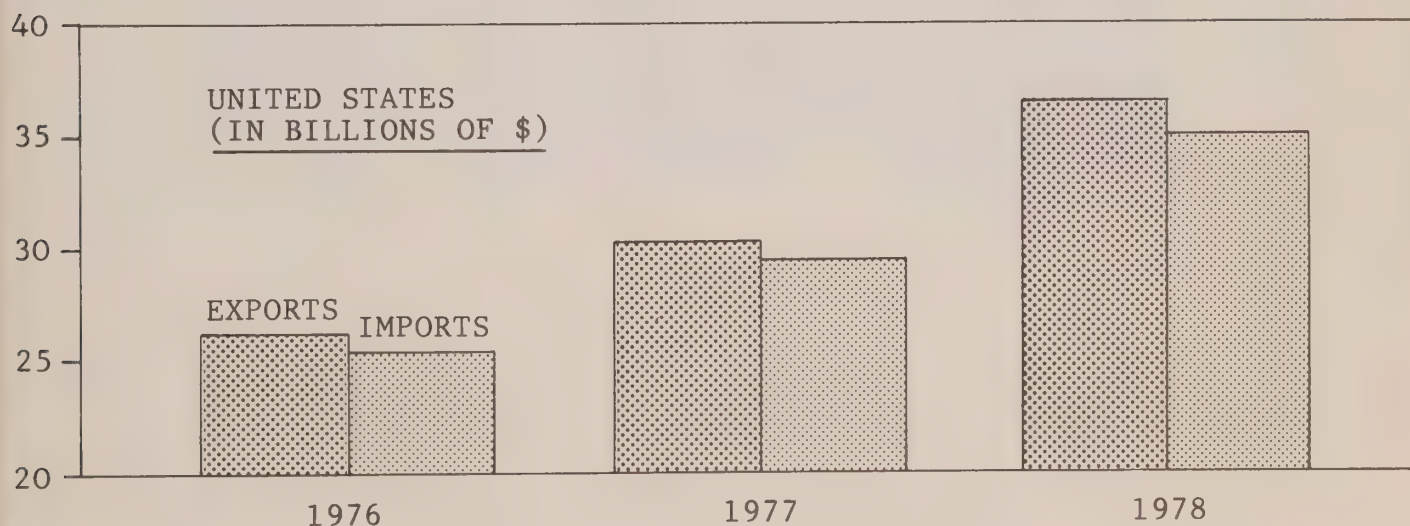
Two-way trade between Canada and the United States reached a record \$72 billion in 1978. Exports were \$37 billion while imports totalled \$35 billion. The balance of payments deficit on current accounts was \$4.768 billion, of which tourism accounted for about \$1 billion.

Bilateral trade relations remained positive, although U.S. protectionism was once again a major issue. Sharply increased import duties were imposed on steel industrial fasteners, excluding products covered by the Automotive Products Trade Agreement. Import protection was proposed

for U.S. imports of zinc, copper, sugar, methyl alcohol, steel wire nails, cement, sodium acetate and steel wire coat hangers. Talks were held on the 1979 Buy American Act, and on a highly restrictive Buy American Clause in the Surface Transportation Assistance Act. New Buy American initiatives by state legislatures were also discussed. Discussions were held on the U.S. countervail action against Canadian exporters of groundfish and optic liquid level sensors. A countervail petition was also lodged in the United States against Canadian exports of frozen potatoes.

Discussions continued on U.S. tax laws relating to attendance by U.S. citizens at conventions outside the United States. Several conventions have been cancelled in Canada because of these laws.

The bureau and the Trade Commissioner Service participated in a number of seminars and workshops designed to expand Canadian exports to the United States. The seminars were organized by several groups, including: Canadian Manufacturers' Association, Canadian Export Association, provincial governments and the Federal Ministry of Small Business.



Latin America

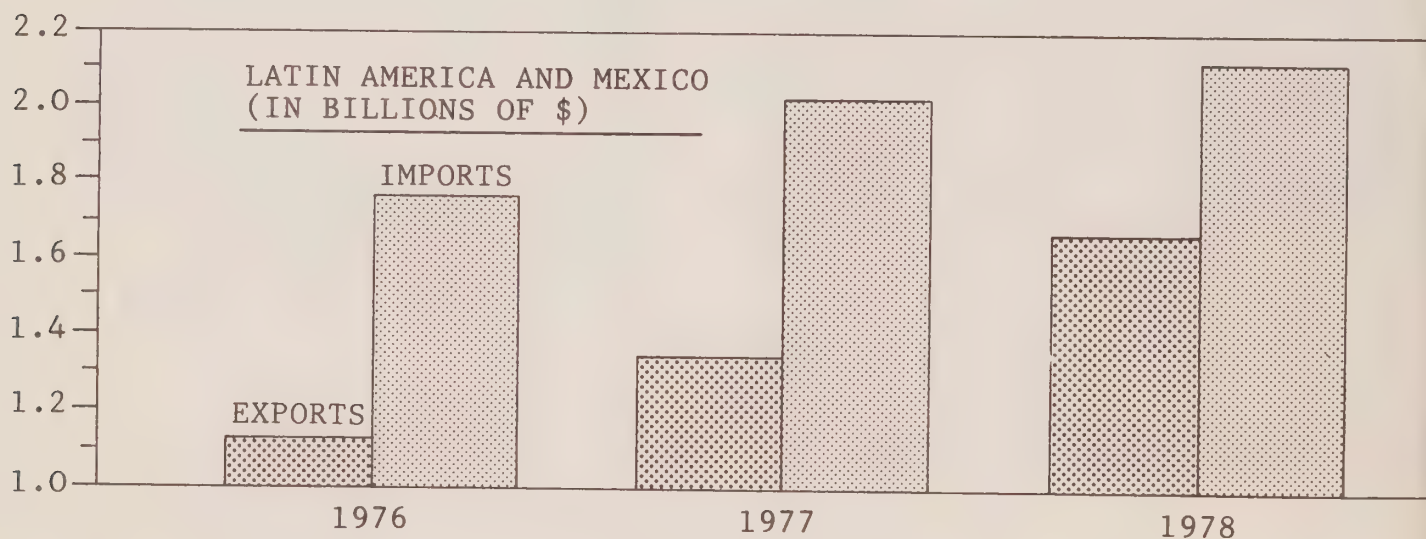
Canadian exports to Latin America rose dramatically last year to \$1.7 billion, an increase of 25 per cent over 1977, and accounted for nearly five per cent of Canada's total exports.

The largest markets were Venezuela, Brazil and Mexico. These three countries imported 55.3 per cent of Canada's total exports to Latin America in 1978. Argentina and Chile are also rapidly becoming important trading partners.

Commercial and industrial relations were expanded with Latin American countries in 1978. An Industrial Cooperation Agreement was initialled with Mexico. Agreement in principle was reached with Brazil to begin an industrial cooperation program.

Several Latin countries, including Mexico, Argentina and Chile, announced plans during the year to liberalize their trade policies and negotiations are proceeding with Mexico on its amended intention to accede to the GATT.

The Canada-Latin America Association and the Brazil-Canada Chamber of Commerce continued to make important contributions to Canada's developing relations with Latin America. CALA activities included a meeting of the Canada-Mexico Businessmen's Committee on Industrial Cooperation, the establishment of a Canada-Chile Businessmen's Committee, a mission to Ecuador and Columbia and a meeting of the Canada-Columbia Businessmen's Committee in Bogota.



Caribbean and Central America

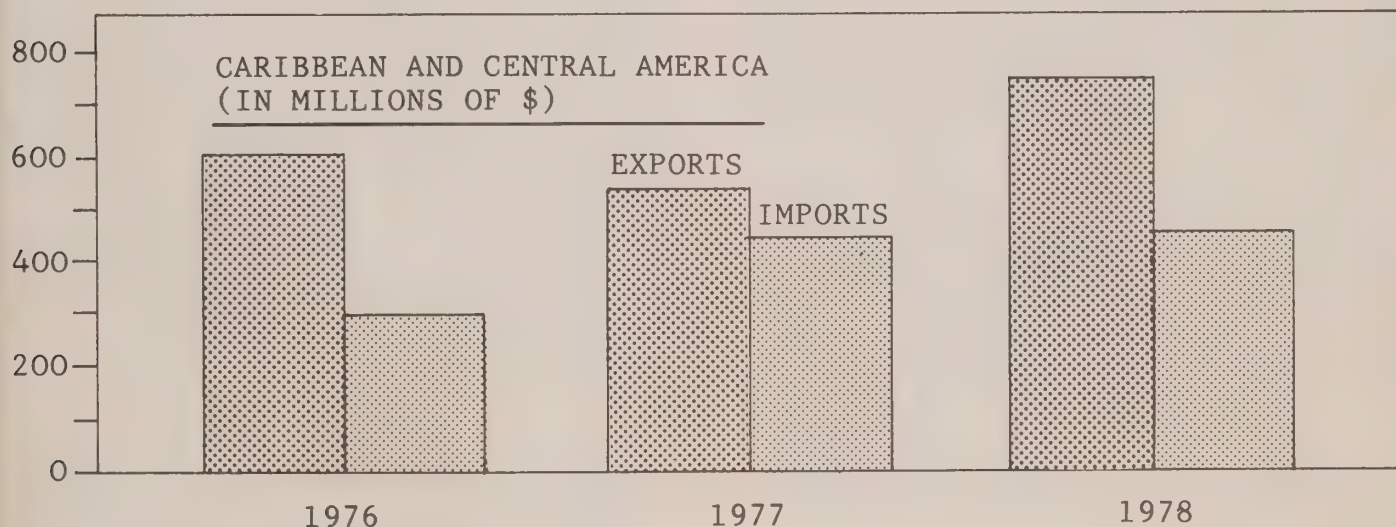
Canadian exports to the Caribbean and Central America rose to \$752 million largely because of increased sales to Bermuda, Cuba, Trinidad and Tobago, Puerto Rico and Barbados.

Exports to the Commonwealth Caribbean increased by 35 per cent to \$207 million while sales to the non-Commonwealth Caribbean increased to \$438 million from \$316 million. Exports to Central America increased by 24 per cent to \$108 million.

In January, Canada and the Caribbean Common Market signed a new trade and economic cooperation agreement.

A high level departmental trade mission visited Costa Rica, Guatemala, Honduras, El Salvador and Panama. Discussions were held on trade and economic relations.

Canadian firms are working on the rehabilitation of a major railway line, road construction and on a number of engineering feasibility studies in Costa Rica. Canadian expertise is being used to renovate several airports in Cuba, including Havana Airport. A number of firms are working on the construction of an iron and steel mill in Trinidad.



INDUSTRY AND COMMERCE DEVELOPMENT

The nine Industry Sector Branches within ITC are focal points for the development of industrial policies and the provision of analysis and perspective on industrial sectors throughout the federal government.

During the year under review, the ISB's achieved a greatly improved rapport with business and labour through formal meetings established in the Consultative Task Force process.

Through this enhanced rapport, the ISB's can be expected to continue to play a larger role in the development and formulation of policy and programs impacting on Canadian industrial performance and employment creation.

This new thrust was undertaken in addition to the normal ongoing activities of the ISB's which along with Consultative Task Force activities are detailed in the following pages.

Consultative Task Forces

In February, 1978, Canada's First Ministers directed that a process of consultations begin with the private sector on measures to improve the performance of the manufacturing, construction and tourism industries.

As a result, 23 industry sector task forces were created. In all, a total of more than 500 persons were involved, including executives from 305 firms, representatives from 27 unions and academics from 18 universities. Provincial governments also participated. The Federal Government provided support and technical services but was not a member of the task forces.

The main responsibilities of the task forces were to review sector profiles prepared by ITC; identify impediments and opportunities for the industries studied; and make recommendations for government action.

The industries involved were: aerospace, automotive, cement and concrete, commercial printing, construction, electrical, electronics, fertilizer, food and beverage, footwear, forest products, processed fruit and vegetables, furniture, primary iron and steel, machinery, non-ferrous metals, ocean, petro-chemical, plastics processing, shipbuilding and repair, textile and clothing, tourism and urban transportation.

Reports issued by these task forces contained a total of over 800 recommendations

An Overview Committee was created in July, 1978, with a mandate to: "work directly from the task force reports and attachments to identify and make recommendations about factors and policies that cut across sector lines...on broad economic policy and on issues important generally to manufacturing and tourism".

This committee was composed of representatives from industry, members of the executive of the Canadian Labour Congress, an academic and a chairman from the private sector. The committee completed its work in October, 1978, making 46 recommendations in nine policy areas. This report was submitted to the federal and provincial Ministers of Industry for discussion at the First Minister's Conference held at the end of 1978.

The Federal Government reacted to the Task Force Reports with an initial response, released in November, 1978. This document summarized federal initiatives for industrial growth and listed new actions taken to meet many of the concerns raised by the task forces.

In February, 1979, a document entitled Action for Industrial Growth: Continuing the Dialogue was published by ITC, addressing the recommendations of the Overview Committee. As the fiscal year drew to a close, the department began publishing detailed responses to each of the 23 Task Force Reports.

Textile and Consumer Products

Textiles Industry

Continued import quotas, negotiated with input from the branch, helped increase employment by 4 000 during the year as the domestic market for Canadian textiles was stronger.

Although this domestic demand curtailed some export drives the carpet sector achieved outstanding results with overseas sales. With assistance from the branch, the industry aggressively pursued markets in Britain and Scandinavia to reduce reliance on Australia - the prime export market. As a result, sales of almost \$5 million were achieved, more than doubling the total of the previous year.

The branch brought together eight carpet manufacturers to exhibit at the World Trade Mart in Tokyo. Canadian participation was sponsored in the Caribbean Textile Show in Barbados and Trinidad, enabling Canada to maintain its \$12 million share of that market.

Clothing Industry

Import quotas and realignment of the Canadian currency directly bolstered the industry, permitting it to recover 2 900 of the jobs lost in the previous year when employment dropped by 8 900.

Initial planning for extension of the productivity program, established for the Manitoba apparel industry in 1977, was carried out. The program involves the branch, industry associations and the provincial department of commerce and development. Firms using the program have reported significant improvements in their manufacturing efficiencies. Discussions were also held with industry, provincial representatives and ITC to develop similar programs for Ontario and Quebec.

The branch provided assistance to industry for participation in important trade shows. As a result:

- \$3.5 million in business was generated by 12 Canadian sports-related clothing

manufacturers at the International Sports Equipment Fair (ISPO) in Munich;

- cloth outerwear was included in the Leather Canada Show in Montreal and 200 American buyers made purchases totalling \$2 million;

- on-site sales totalled about \$200 000 as nine firms showing fine suits, sweaters and coats made Canada's first appearance at the Cologne Men's Fashion Week;

- ten manufacturers' representatives were appointed and negotiations opened with some 40 more;

- sales of \$1 million were generated by four manufacturers who made up the first exhibit of Canadian furs in Japan.

Footwear and Tanning Industries

The branch was part of the consultative process that produced global import quotas that increased production, employment, plant utilization and orders in the Canadian leather and vinyl footwear industry.

For the third straight year there was an increase in exports of footwear. The 24 per cent increase over 1977 pushed total footwear exports to \$40 million.

The branch worked on Canadian participation in major footwear trade shows in Europe and the U.S. to make industry more aware of the potential of international sales.

Participation in shows at Munich and Duesseldorf produced on-site sales of \$500 000 and projected sales of \$2 million.

Fashion Office

The Designer Development Committee helped place 85 fashion design students from Manitoba and Ontario in industry work situations under the Summer Job Corps Program.

The office provided support to the Fashion Designers Association of Canada in its spring and fall trend show presentations.

"Canada Fashion Mode", a magazine designed to increase awareness of Canada's fashion capability, will be distributed to fashion industry representatives abroad by the Trade Commissioner Service.

Commercial Printing Industry

A directory of graphic arts courses in Canada was prepared for students and career counsellors.

The branch encouraged exporting through presentations at the annual meetings of trade associations in Toronto.

Agriculture, Fisheries and Food Products

The branch continued to work closely with industry over the past 12 months to develop both Canadian productivity and market accessibility.

A new program has been incorporated into the Program for Export Market Development (PEMD) to provide financial assistance for export market development in the agriculture, fisheries and food products industries. This program replaces the Agricultural and Food Products Market Development Assistance Program and the Grains and Oilseed Marketing Incentives Program.

Because China plans increased forage production and rangeland improvement, the department conducted a technical seed mission to that country so that markets for early maturing soybean and hybrid corn seed could be determined. Canadian varieties sent for testing after the 1972 Peking Fair have performed well and further exchanges of seed samples took place after the trade mission.

Discussions were initiated with the department concerning possible establishment of a new association for the dehydrated alfalfa industry. Such an association would be concerned with technical research, grade standards, transportation rates and market promotion.

The department took part in annual negotiations between the Ontario Flue-cured Tobacco Board and Britain's tobacco manufacturing industry.

An ITC-sponsored trade mission to Algeria, Egypt, Iraq, Jordan, Syria and Tunisia identified new market opportunities for Canadian leaf tobacco. Later in the year, Iraqi tobacco officials visited Canada and the first sale to Iraq of Canadian flue-cured tobacco was negotiated. The sale was worth approximately \$2.2 million.

The department continued to provide financial support to the Canadian seed potato export agency. The branch organized a visit to Canada for officials from China and Greece to study the potato industry. Arrangements were also made for New Brunswick producers to meet importers in Argentina, Uruguay and Western Europe.

The department studied imports of cut flowers and dried flowers to help the industry identify opportunities for import replacement and reviewed U.S. imports to determine Canadian export opportunities to that country.

Sales meetings and in-store promotions to encourage exports of Canadian processed foods and beverages were organized in many major United States cities, including Minneapolis, Cleveland, Seattle, Buffalo, Philadelphia and Chicago. Canada's largest market for these products is the U.S. Similar promotions were held in Japan and Japanese buyers' trips to Canada were sponsored by ITC.

As a result of contacts made by the department Canadian firms obtained contracts to supply pork to South Korea.

Departmental exhibits were responsible for promotion of Canadian dairy cattle, beef cattle, swine, semen and fertilized ova at the Palermo Show in Argentina, the Porto Alegre Livestock Show in Brazil, the Royal Highland Show in Scotland and the Salon de l'Agriculture in France.

A mission from the People's Republic of China was arranged by the department to promote the sale of Canadian breeding

stock, especially beef cattle. Canadian swine and swine semen producers were taken to Thailand, Malaysia, Singapore and the Philippines to study export potential in these markets.

Government and industry representatives visited South America in January to determine export opportunities for Canadian milk powder.

The department continued to give financial support to the North Atlantic Seafood Association promotion of groundfish in North America.

Fisheries sales and marketing promotions were organized by the department in the U.S. and overseas markets.

Chemicals Branch

The branch, with other federal and provincial government departments and industry, completed its study of the health care products sector. The study, representing the first detailed survey ever done of about 500 companies in the medical devices industry, will serve to identify market opportunities.

A number of related background studies were done on:

- the structure of the world pharmaceutical industry;
- industrial incentives offered by other countries;
- future markets and manufacturing opportunities for health care products in Canada.

A report on this industry, along with some of the background studies, will be published in the new year.

The branch also participated in short-term product studies such as:

- a) a study to determine sulphuric acid markets required because sulphur emission reduction devices needed for environmental protection produce large quantities of sulphur;

- b) a study of the distribution and tagging of explosives was carried out so that sources of the products can be more easily identified;

- c) an ongoing study of the competitive position of the Canadian petrochemical industry relative to foreign producers.

Electrical and Electronics

Electrical

In cooperation with electric utility companies, the department studied domestic acceptability of Canadian-made electrical generation and transmission equipment. The study has helped major equipment manufacturers identify opportunities. It has also provided information for development of industrial policies.

Avionics

This sector received much financial assistance from the Defence Industry Productivity Program for development of high technology products and the modernization of the Canadian defence production base.

Sales and equipment in avionics and defence electronics improved during the year and exports accounted for almost 85 per cent of total production.

Canada captured 50 per cent of the world flight simulator market and a Canadian company was selected as the second source for a guidance system for the U.S. Tomahawk cruise missile. This contract alone could produce sales of \$1 billion and create 1 700 high-technology jobs in Canada over the next 15 years.

Computers and Microelectronics

Canadian computer industry sales increased during the year. The Enterprise Development Program was extended to include computer software projects.

Control Data Canada Ltd. exported 35 Cyber 170 main frame computers to 19 countries.

These computers were developed with financial assistance from the department.

Telecommunications

The Canadian telecommunications industry continued to receive departmental financial assistance to improve technical and product competitiveness in domestic and international markets. Areas receiving such support included voice and data switching, signal processing, mobile radio and rural communications.

ITC, along with other federal government departments, participated at the International Satellite Communications Seminar in Peru. The Hermes Direct Broadcast Satellite was demonstrated to improve South American awareness of Canadian capability.

The demonstration included coloured programs from Canada via the Hermex satellite to portable three and four-foot antennas on the roof of the Conference Centre in Lima.

Machinery

The Machinery Program, designed to promote growth and productivity improvement in the machinery industry, continued to be a major activity for the branch. The program, while providing tariff protection to manufacturers and encouraging increased Canadian content in machinery production, allows machinery users a duty remission on imported capital equipment not available from Canadian sources.

During the year more than 30 000 applications were received covering \$210 million in these duty remissions. The applications covered purchases of advanced capital equipment, parts for further manufacture and complete manufacturing systems.

The division continued to help Canadian firms tool up for import replacement. Machinery production is expected to increase \$60 million in 1979-80 as a result of 50 Canadian firms, including producers of broadcast seed spreaders and power

brake system assembly and testing machines, establishing production facilities through ITC assistance.

Advice and assistance was provided to industry and industry associations to carry out 17 development projects that could generate up to 700 new jobs and \$45 to \$50 million in production over the next two years.

The branch continued to pursue export markets by sponsoring Canadian machinery producers' exhibits in nine trade fairs. It mounted five trade missions and supported more than 150 machinery companies seeking export opportunities through PEMD.

Export contracts valued at more than \$200 million were won by Canadian machinery builders with assistance from the branch.

The department involved 13 companies in a multi-sector industrial mission to Sweden, Finland, and Italy and demonstrated Canadian machinery capability at seminars in Norway, on environmental equipment, and in France on farm machinery. These activities were geared to improving Canadian opportunities in joint ventures to third countries.

A task force, established at industry's request in April, 1978, to examine export marketing of CANDU reactors, received financial and administrative support from the department. The task force of engineering consultants and representatives of construction companies and manufacturing firms recommended creation of an advisory committee which will provide industry with the opportunity to participate in promotion of CANDU exports.

Resource Industries

Primary Wood Products

Among departmental activities in this sector, the branch:

- sponsored a visit to Canada by Italian lumber importers and agents;

- organized five lumber seminars in the United States for Canadian plywood suppliers and U.S. wholesalers;
- undertook an assessment of the plywood industry in the southern United States;
- completed a study of the lumber industry in Scandinavia;
- took part in the work of international organizations concerned with primary wood products, including the United Nations' Integrated Program for Commodities (tropical timber);
- began work on a profile of the exterior wood-based panel products industry; and
- organized two meetings of the federal-provincial Forest Industries Development Committee.

Manufactured Wood Products

Fiscal year 1978-79 was an active period for the Manufactured Wood Products Division. It was involved in a number of industry and intergovernmental consultative committees; a sector profile of the Canadian Millwork Industry was published; and consultations continued with Japan and European countries on industrial cooperation.

Canadian millwork products were shown at the Impact '78 show in Louisville, Kentucky. The division also participated in the Batibouw show in Brussels as part of a major timber-frame promotional program in Europe.

Under departmental auspices, an industrialized building and components mission travelled to Japan while groups from The Netherlands, Belgium and Japan visited Canada to study timber frame housing.

ITC officials conducted market reconnaissance in Western Europe for kitchen cabinets; in the Middle East and North Africa for manufactured housing and in Latin America for wood products in general.

Pulp and Paper

A National Development policy for the Forest Industries was announced in February as a result of recommendations by the Forest Products Industry Consultative Task Force organized by ITC.

The Pulp and Paper division continued to study the problems faced by certain sub-sectors of the industry, such as fine papers and paper converting, created by multilateral trade negotiations. Among other work in this area, a detailed discussion paper was prepared on manufacturing costs and productivity in the fine papers industry.

The division was active in the development of international standards for packaging, national standards for wood-based cellulose insulation and international standards for paper packaging used to transport hazardous materials.

Under departmental auspices, senior Chinese government officials visited Canadian pulp and paper mills, research centres and head offices during the year. Canadian businessmen and officials were invited to make a return visit.

Pulp and paper executives travelled with ITC officials to South America to identify long-term prospects for Canadian pulp and paper products sales in Latin countries. This mission visited Chile, Argentina, Brazil and Venezuela.

A considerable effort was made throughout the year to promote international industrial cooperation through membership in international committees. These included the Canada/EEC Ad Hoc Forest Products Working Group; the Canada/Japan Joint Economic Committee; Canada/China Joint Trade Committee; the Canada/U.S.S.R Working Group on the Forest Products Industries; and the Canada/Cuba Joint Committee.

The division directed a great deal of attention to the need to reduce production costs in order to regain international competitiveness. An example of the work

in this area was the publication of an overall review of the forest products industries, including information on costs in other countries.

Iron and Steel

Eight steel forging and casting companies received a total of \$379 250 under departmental programs during the year to develop new product lines and improve their efficiency. As well, this division began a study of the forging industry to complement two others into the ferrous foundry industry.

Departmental officials were involved in discussions which led to the establishment of a special steel committee within the OECD. This is an important development because the committee will provide a forum for talks on impediments to international trade in steel. It is expected the committee will encourage a reduction of non-tariff barriers to steel trade and facilitate the ratification of GATT commitments in some countries.

Canada and the Commission for the European Communities signed a steel research agreement during the year, to study ways and means of improving blast-furnace efficiency.

A new "Directory of Canadian Steel Fabricators" was completed during the period. This publication was produced by ITC in cooperation with the Canadian Institute of Steel Construction and the Canadian Sheet Steel Building Institute.

Non-Ferrous Metals

Departmental assistance was arranged for the development of new technologies, including a less polluting process for the recovery of nickel from ores and research into a cobalt rare earth powder for use in magnets.

A Canadian delegation, led by this division, attended meetings of the International Lead Zinc Study Group to discuss

the worldwide oversupply of zinc. Officials also participated in UNCTAD copper study group meetings and assisted in the development of an industry position for the proposed international discussion group on nickel.

Under departmental auspices, a mission of nine Canadian non-ferrous metals producers visited China. This led directly to preliminary engineering studies which could result in a large mineral-extraction contract for Canadian companies. A group of Chinese gold mining experts visited Canada.

The department arranged a series of consultations between the users and suppliers of molybdenum, which was in short supply throughout the year. The division also took part in interdepartmental discussions designed to find alternative sources of supply for the production of steel pipe. It was also necessary to arrange meetings between producers and consumers of cobalt which was also in short supply.

With departmental assistance, the Canadian copper and zinc industries made successful representations to the U.S. International Trade Commission opposing U.S. restrictions on imports of copper and zinc metal.

The division worked closely with private industry, provincial governments and Ontario Hydro on plans for the development of a Canadian zirconium facility.

Industrial Minerals

This division was heavily involved during the year in market development work for Canadian coal. For example, a major thermal coal mission was arranged for visits to Japan and Korea. As well, the division completed a coking coal market survey in Japan, Korea, India and Pakistan.

Assisted by survey work carried out by the division over the past few years, the coal industry began to diversify its markets during the fiscal year. In 1978, a record level of 13.6 million tonnes of coal, valued at \$690 million, were exported to

18 countries. New contracts were signed by Canadian firms for deliveries to Mexico, Brazil, Sweden, Romania, Italy, the Federal Republic of Germany, South Korea and India.

Under departmental auspices, Canadian asbestos mining officials investigated asbestos mining and milling capabilities in the Soviet Union. Both sides expressed interest in purchasing trial quantities of the other's equipment.

The division was involved in a number of meetings held on asbestos under the Canada/European Economic Community Industrial Cooperation Agreement. Discussions at these meetings centred on ways and means of providing better protection for employees against asbestos hazards.

Construction and Consulting Services

The branch provided secretariat services to major industry-government advisory groups.

Among these was the Construction Industry Development Council, which comprises representatives of business, labour and government. This council provides advice to the minister on matters concerning construction. The group held 30 meetings during the year.

The Advisory Committee on Industrial Benefits from Natural Resource Development, organized three years ago to increase the use of Canadian equipment and services in domestic resource development projects, continued to draw its secretariat strength from the branch.

A major projects task force, established in November to examine opportunities for Canadian technological and industrial input on major domestic projects, also obtained its secretariat services from the construction and consulting services section.

Three seminars relating to construction productivity were organized by the branch during the year. The seminars covered:

Construction productivity, Canadian content and capability and surveying and mapping.

Seven outgoing industrial cooperation/market development trade missions were organized by the branch during the year and two similar missions were brought to Canada. This work was part of the ongoing export development emphasis.

Transportation Industries

Ocean Industries

Trade promotion efforts by the department on behalf of ocean industries increased dramatically during the fiscal year, with a consequent increase in sales.

With departmental assistance, Canadian firms participated in the Offshore Technology Conferences in Houston and London; the Latin American Oil Show in Rio de Janeiro and the Offshore Stavanger in Norway. Eleven Canadian companies exhibited at the Canada Trade Centre in Tokyo. Missions from Japan, Brazil and Indonesia toured Canada under departmental auspices.

The division worked throughout the year developing proposals for the co-funding of technological development by industry and government in this sector.

Air Industries

Specialists within this division continuously monitor and evaluate the technical and financial aspects of government-assisted research by public and private air industry firms. An example is Canada's CL 227, a remotely controlled military surveillance drone helicopter. The department assisted in the development of this device with an original contribution of more than \$300 000 through the Defence Industry Productivity Program. Other examples are assistance to SPAR Aerospace for the development and manufacture of a remote manipulator system for the U.S. space shuttle program and Pratt and Whitney for the development of small gas turbine engines.

The Challenger business jet, developed by Canadair, was successfully test flown in November. One hundred and twenty-five orders, valued at \$600 million, have so far been received for this aircraft. Original private sector funding of \$128 million for the development of the Challenger was guaranteed by ITC.

The last of 65 CL 215 water bombers, manufactured by Canadair, were sold during the period under review. The CL 215 has been purchased by seven countries where they are used for forest-fire suppression, search and rescue and utility transport. The branch was involved during the year in a number of studies concerning a proposal to manufacture an additional 45 of these aircraft.

A great deal of work was required to prepare for Canada's participation in the Paris Air Show in the spring of 1979. The division liaised with 26 companies travelling to the show, arranged space and provided a wide variety of support staff to ensure a successful representation. Departmental expenditures totalled approximately \$400 000.

Automotive Parts

Canadian automotive parts manufacturers exhibited their goods and services at a number of United States shows with departmental assistance. These included the Automotive Parts and Accessories Association Trade Show in Chicago; the Southern Automotive Show in Dallas, the New England Automotive Show in Boston and the combined Pacific Automotive Show/International Automotive Service Industry Show in Las Vegas.

More than 100 buyers and agents from the United States, Central and South America and Europe attended the first Canadian International Automotive Show in Toronto. The only automotive parts trade show held in Canada, it is jointly sponsored by this department and by the provincial government of Ontario.

ITC activities in this area are a major effort to improve automotive parts trade

with the United States. While exports to the United States rose 22 per cent to \$4.7 billion during the year, imports rose by 17 per cent to \$8.2 billion, leaving a deficit of approximately \$3.5 billion.

In a continuing effort to increase exports, the division organized missions by Canadian manufacturers to Switzerland, Britain, Singapore, Korea, Australia, the Middle East, France and South America.

At the same time, the department coordinated the exhibition of Canadian products in other countries, such as the World Trade Mart in Tokyo and at the Automechanika show in the Federal Republic of Germany.

A major activity was the negotiation of Expanded Automotive Components Remission Orders. The first of these, the Volkswagen Remission Order, was approved in August while negotiations proceeded on others. Under the Volkswagen order, purchases of Canadian automotive components are expected to rise from \$30 million to \$60 million a year.

Automotive Products

Although the deficit in automotive trade with the United States decreased substantially in 1978, it is still a matter of vital concern to Canada. Discussions between ITC and the major vehicle and parts manufacturers continued throughout the year.

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During the year, a commissioner was appointed to inquire into the automotive industry and make recommendations on how to improve Canada's performance. This study, and work by the consultative task force on the automotive industry, are expected to result in several initiatives by the department.

The trade deficit in automotive products with countries other than the United States increased, largely due to the increased demand for smaller, more fuel-efficient cars imported from third countries.

During the year, Cabinet approval was obtained for the department to enter into discussions with third country vehicle manufacturers for an expanded remission program which will provide incentives for foreign firms to purchase additional parts in Canada.

Urban Transportation

Meetings were held with U.S. officials throughout the year to discuss implications of the "Buy America" regulation of the Surface Transportation Assistance Act, which came into force during 1978.

This regulation requires that imported transit vehicles have a U.S. content of 50 per cent and that final assembly take place in the United States. While Canadian manufacturing companies can meet these requirements at the present time, the department is concerned that the regulation may lead in the future to a transfer of more assembly work and employment to the United States.

The United States continued to be Canada's major market for transit vehicles and equipment. Sales of urban transit vehicles reached \$160 million during the year, with about half of this amount coming from export markets, principally the United States.

The division constantly analyzes and monitors possible markets for Canadian products. It notes there is an increasing demand for Canadian expertise and technology in transportation planning, traffic management and transit control systems. Major advances in these areas are being achieved by the Urban Transportation Development Corporation, such as linear induction propulsion systems and steerable axle trucks.

A major activity of the Urban Transportation Division during the year was in analyzing and responding to the consultative task force report mentioned earlier in this paper.

Ships and Components

A federal study for the construction of new ships was continued at a level of 20 per cent in order to meet higher levels of governmental assistance provided to foreign competitors. Subsidies will be maintained at the 20 per cent level for applications received up to December 31, 1979.

Transportation Services

Surface

During the year, the branch continued to focus on direct traffic assistance to shippers. Among its accomplishments were:

- establishment of a routing from Ontario to California for beer and mineral water exports that reduced transportation costs by \$1 000 per trailer. This enabled a Canadian firm to compete with European suppliers.
- intervention on behalf of a Maritimes cement company that resulted in a 38 per cent reduction in transportation and wharfage costs on bulk movements. This enabled the company to compete for a \$7.5 million export order.

Marine

The branch studied the economic impact of UNCTAD decisions on availability and costs of marine transport services for Canadian exporters. The study related to the ratification of the U.S. Code of Conduct for Linear Conference and the need for a Canadian deep-sea merchant marine.

The branch also:

- examined the proposed withholding tax on Canadian payments to non-resident ship-owners;

- worked on the U.N. "Hamburg" Convention on the Carriage of Goods by Sea;
- monitored containerized cargo diversion through U.S. ports;
- assessed trade problems created by shipping and port strikes;
- evaluated industrial implications of increased Seaway tolls.

Air

The branch worked toward development of an intergovernmental policy on Dash-7 STOL services between Toronto, Ottawa and Montreal. It also assessed establishment of similar services for British Columbia, Central Canada and the Maritimes.

The branch prepared studies on:

- Air Canada's acquisition of Nordair;
- restructuring of regional air carriers in Eastern Canada;
- the roles of CP Air and Air Canada;
- relaxation of domestic charter regulations and reduction of domestic air fares.

It helped negotiate a new air services agreement with Britain and was among Canada's representatives in discussions on relocation of Canada-London services from Heathrow to Gatwick.

Physical Distribution

The branch was instrumental in establishment of the Canadian Standards Association Committee on Materials Handling and Distribution and development of domestic and international physical distribution standards for improvement of materials handling and transportation productivity.

It also played a leading role in development of Canadian policies on revisions to the International Organization for Standardization's distribution policies,

UNCTAD container standards and EEC programs to simplify international trade documentation.

Grains Marketing Office

Canadian wheat production reached 21.2 million tonnes in 1978, up six per cent from 1977. Coarse grain production was about 20.3 million tonnes, nine per cent below the previous year. Oilseed production, at 4.6 million tonnes, was 44 per cent above 1977.

Exports of the six major grains (wheat, rapeseed, barley, flaxseed, oats, rye) amounted to 19.0 million tonnes. Wheat and flour accounted for 13.1 million tonnes, barley 3.5 million tonnes and the major oilseeds 2.2 million tonnes.

The Grains and Oilseeds Marketing Incentives Program (GOMI) ended March 31, 1979. The program was established to encourage market development through market identification and promotion, product and process development and Canadian capability assistance. At its conclusion, GOMI had received 108 applications. There were 78 projects approved, valued at \$12.1 million, and assistance amounted to \$6.7 million.

Producers will receive more than \$150 million from the Prairie Grain Advance Payments Act, a 27 per cent increase over the previous year, reflecting reduced grain delivery opportunities. Interest costs, borne by the government, totalled \$5.2 million, 50 per cent above 1977-78, reflecting the increase in advances and higher interest rates.

Payments under the Two-Price Wheat Act were \$43.8 million, a 66 per cent increase over the previous year. The \$3.25 per bushel fixed minimum for Canadian consumers was changed in December, 1978, with elimination of government subsidy payments, to allow it to fluctuate from \$4 to \$5 a bushel.

The Protein, Oil, Starch Pilot Plant, an industry/government corporation opened in

Saskatoon in July, 1977, now has 26 members, including the federal and two provincial governments and industry. The plant has started 37 projects for 20 clients in the processing of grains and oilseeds. The federal government contributed \$4.5 million in capital costs.

The Canadian International Grains Institute, jointly sponsored by ITC and the Canadian Wheat Board, brought 280 people from 17 countries to attend grain technology courses. The Institute also organized a similar course in Cuba.

Department-sponsored oilseed trade missions visited Canada from Morocco, Hungary, Japan, South Korea and Cuba. Technical seminars, also sponsored by the department, were held in Mexico and Japan on the use of rapeseed oil and meal.

The department provided the Rapeseed Association of Canada with \$350 000 for the Rapeseed Utilization Assistance Program, which provides assistance for research and development in rapeseed use.

Distribution Services

The Distribution Services Branch was created in response to the growing importance of the distributive trade industries in Canada.

The Wholesale and Retail section was organized and staffed during the year under review and began work on sector profile documents for general merchandising, food distribution and drug distribution.

A considerable amount of work was done on the development of a computerized data base which will assist the department in developing policies for this sector of the economy. This activity involved a great deal of consultation with the industry, and in particular the Retail Merchants Association, Federation of Retail Grocers, Grocery Distributors Institute, Retail Council of Canada, Canadian Textile Importers Association, Canadian Pharmaceutical Association and the Canadian Direct Mail and Marketing Association.

The branch developed a survey of trading houses which will be used in creating a directory of trading houses in the coming year.

In the course of developing closer liaison with Canadian franchisers, the branch held two seminars: How to Franchise in the United States, and How to Franchise Your Business.

Toward the end of the fiscal year, the branch published a bibliography: Franchising - An Information Source, for distribution to the industry.

CANADIAN GOVERNMENT OFFICE OF TOURISM

Although Canada's tourism deficit increased from \$1.6 billion in 1977 to \$1.7 billion in 1978, signs of improvement were evident during the year as more than 13.5 million people visited in Canada for one night or longer. Increased attention by government and industry and realignment of the Canadian dollar contributed. Other factors were:

- a record 1.5 million offshore visitors;
- more than 12 million American visitors, sharply reducing the declining trend of the past several years;
- less travel by Canadians outside of Canada (1.6 per cent fewer visited the United States and only 1.8 per cent more visited other countries).

Marketing

CGOT maintained 27 market development and promotional offices in Canada, the United States, Britain, France, Germany, The Netherlands, Mexico, Australia and Japan.

Major advertising campaigns in the United States promoted spring/summer and fall/winter vacations. Seminars were sponsored for the travel trade, direct-response advertisements were placed and mailings to special interest groups were used.

The "Canada: So Much to Go For" program, begun in January, 1978, to encourage Canadians to travel within Canada, offered 54 competitively-priced package tours in a cooperative venture that involved CGOT and four industry "partners". Success of the program was such that new partners were added and the number of tours offered in 1979 increased to 83.

Partners in the program are Air Canada, CP Air, VIA Rail Canada, Pacific Western Airlines/Transair, Québecair/Hospitalité Tours.

Vacation Canada advertisements were placed in Canadian periodicals reaching almost 73 per cent of all Canadians. A campaign in 175 ethnic publications invited new Canadians to see Canada and encouraged their friends and relatives abroad to visit here.

Rendez-vous Canada, an international tourism marketplace sponsored by CGOT in co-operation with the tourism industry, had sales estimated at \$38 million in 1978.

As part of an attitude/awareness program using the theme "Tourism is important to all of us" and the slogan "Reach Out a Friendly Hand", CGOT launched a national tourism awareness campaign involving regional, territorial and provincial governments and the tourism industry.

Representatives of the Japanese travel industry visited four Canadian cities to help the Canadian tourist industry understand and compete for the Japanese travel market. Almost 128 000 Japanese visited Canada during 1978, 31 per cent more than in 1977.

CGOT coordinated "Canada Street" at the American Society of Travel Agents' 48th World Travel Congress in Mexico. The Canadian display featured seven provinces, the territories and industry.

CGOT also:

- sent out more than 10 million pieces of travel literature and 53 000 photographs;
- distributed more than 21 000 film prints and 600 video cassettes representing 120 titles to television and film audiences in six countries;
- sponsored more than 110 promotional seminars in Canada, the U.S. and overseas;
- sponsored 400 media representatives on Canadian tours;
- prepared 100 travel features for Canada and U.S. publications.

Policy Planning and Industry Relations

The Tourism Industry Consultative Task Force, with the assistance of CGOT, studied the problems of the tourism industry in Canada. Its report to the government contained 132 recommendations.

Three federal-provincial tourism conferences were held in 1978-79.

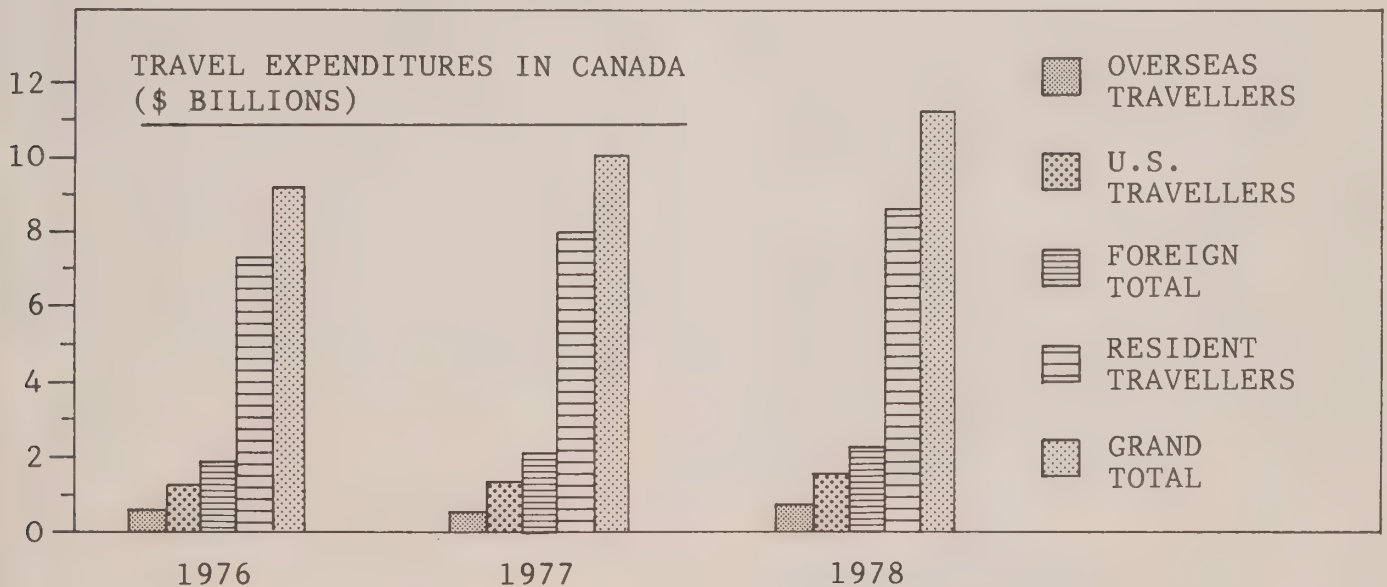
The National Advisory Committee on Accommodation, Food and Beverage Services met in Edmonton and Winnipeg during the year to discuss the need for better staff training and awareness in the industry.

More than \$750 000, received from the Federal Labour Intensive Projects and the

Summer Job Corps Program, was used to provide employment in tourism-related projects in cooperation with the provinces and territories.

A brief on advance booking charters for domestic air travel was submitted to the Air Transport Committee of the Canadian Transport Commission. An industry manual, "Planning Seasonal Tourist Accommodation", and a directory of tourism-related courses offered through Canadian schools and institutions, were published.

Tourism Development sub-agreements were signed with Manitoba and British Columbia similar to agreements signed earlier with Newfoundland, Nova Scotia, New Brunswick and Quebec.



ADMINISTRATION AND PERSONNEL

Financial Management

A new computer system, designed to provide greater managerial control on information and finance, was established in the Financial Services Branch. The system integrates funds available and those committed, provides budget, cheque and cash control, financial reporting and general ledger maintenance.

Professional and Administrative Services

A centralized Records Management Program was implemented in 1978-79. Ninety-four cubic metres of records were processed during the year, 48 m³ were received in the departmental storage area and 56 m³ were sent to the Public Archives Records Centre.

The problem of handling the large volume of correspondence and typing at ITC was eased during the year with the introduction of word processing units on three floors of the Ottawa headquarters. This equipment was also installed in all ITC regional offices.

Computerized systems were developed to improve the quality of information available within the department. These include: the Import/Export Permit Control System, the Departmental Financial Management System, and the Fisheries Marketing Information System covering fishery catch and trade statistics.

A new EDP Standards and Guidelines Manual has been prepared to ensure the efficient and cost effective development of EDP systems.

The department spent \$4 million in 1978-79 to purchase EDP services from the private sector. This practice, which cost \$2.7 million in 1977-78, is followed when purchase is less expensive.

Personnel

An internal review of all senior executive and equivalent positions was completed by the Senior Management Committee. The personnel management information system was improved for accuracy and a new data system activated for the Trade Commissioner Service.

Departmental issues were discussed at meetings of the Labour-Management Committee and a wide range of counselling services was provided.

Human Resources formulated, approved and implemented a personnel management plan; brought ITC trainees in through the MBA/MPA recruitment program; provided information forecasting to management and started equal opportunity programs.

In Operations, about 1 600 staffing and 1 400 classification actions were completed; several branches and units were reorganized and new staffing procedures were put into place. The pay system was decentralized by DSS to regional pay offices.

A departmental Coordinating Committee approved the department's official languages program and its objectives. The bilingual bonus plan and identification of linguistic profiles of bilingual positions were implemented.

METRIC COMMISSION CANADA

Thirty-nine per cent of Canada's metric conversion program was completed at the end of the fiscal year. The planning and scheduling of more than 80 sectors is complete and implementation has begun. A total of 20 sectors has completed 75 per cent or more of their planned activities.

Metric Commission Canada now has held 50 meetings since the program began in 1972. The Interdepartmental Committee for Metric Conversion, which coordinates federal government conversion activities, has met 18 times.

The provinces and territories are carrying out their own conversion programs through legislation and regulatory action. Information centres are operating in nine of the 12 provincial and territorial capitals on a cost-sharing basis. The Intergovernmental Metric Conversion Committee has met 20 times.

INDUSTRY, TRADE AND COMMERCE
Statement of Expenditures for the Fiscal Year 1978-79

		\$ (000)
<u>Trade Industrial Program</u>		
Operating Expenditures		
- Salary and superannuation	70 343	
- Other	<u>39 999</u>	110 342
Grants and Contributions		
- Enterprise Development Program	24 180	
- Defence Industry Productivity Program	52 200	
- Program for Export Market development	8 815	
- Capital subsidies for the construction of commercial and fishing vessels	59 190	
- Metric Conversion	800	
- Small Business Intern Program	1 737	
- Small Business Loans - Losses	1 389	
- Payment of EDP Insurance Losses	1 227	
- Federal Labour Intensive Program	5 147	
- Miscellaneous	<u>4 364</u>	159 049
Loans and Investments		
- Loans to de Havilland Aircraft	4 741	
- Loans under the Enterprise Development Program	5 300	
- Loan to assist Defence Manufacturers with defence plant modernization	6 000	
- Loans under the footwear and tanning industries adjustment program	(355)	
- Loans to Canadair for the financing of water bombers	<u>70</u>	15 756
		<u>285 147</u>
<u>Tourism Program</u>		
Operating Expenditures		
- Salary and superannuation	7 574	
- Other	<u>19 960</u>	27 534
Grants and Contributions		
- Miscellaneous		859
		<u>28 393</u>
<u>Grains Program</u>		
Operating Expenditures		
- Salary and superannuation	1 183	
- Other	<u>600</u>	1 783
Grants and Contributions		
- Credit Wheat Sales	11 409	
- Payment to the Canadian Wheat Board to cover carrying charges on reserve stocks of feed grain	2 200	
- Payment to the Canadian Wheat Board for the purchase of covered grain hopper cars	838	
- Prairie Grain Advance Payment Act	5 193	
- Two Price Wheat	43 826	
- Western Grain Stabilization Program	53 157	
- Payments to Canadian Wheat Producers	405	
- Payments to CNR and CPR for rehabilitating box cars	2 911	
- Assistance to Canadian rapeseed processing industry	3 839	
- Miscellaneous	<u>4 888</u>	128 666
		<u>130 449</u>
Total Department		<u>443 989</u>

INDUSTRY, TRADE AND COMMERCE

Statement of Revenues
for the Year Ended March 31, 1979\$
(000)

Return on Investments

Interest on loans to Export Development Corporation 92 892

Interest on loans to Federal Business Development Bank 60 128

Interest on loans to assist manufacturers of automotive
products 640

Interest on loans to assist the pharmaceutical industry 34

Interest on loans to assist the footwear and tanning industries 38

Interest on loans under the Enterprise Development Program 559

Sundry 442

Miscellaneous Revenue 4 143

Refunds of Previous Year's Expenditures 6 447



